

DEPARTMENT OF THE ARMY

FY 1998/1999 BIENNIAL BUDGET ESTIMATES

FEBRUARY 1997



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**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates**

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ARMY OVERVIEW

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BACKGROUND

The Department of the Army has historically operated a significant number of its organic commercial and industrial facilities under revolving fund concepts to encourage these activities to function in a more efficient and businesslike manner and to provide the additional flexibility needed to properly manage these facilities under changing workload conditions. The support services provided by Army Working Capital Fund (AWCF), formerly Defense Business Operations Fund (DBOF), activity groups are absolutely essential to the success of the Operating Forces, and the activity groups themselves are an integral part of the defense team.

The Army Working Capital Fund was established in December 1996. The Under Secretary of Defense (Comptroller) disestablished the DBOF and established four separate working capital funds, aligning each with its parent Component. This change recognizes the dominant role of the Military Components in the preparation of budgets and management of revolving fund activities to include their responsibilities for managing the functional and financial aspects of these activities.

ARMY WORKING CAPITAL FUND ACTIVITY GROUPS

The Army manages four activity groups within the Army Working Capital Fund:

Supply Management, Army. This activity group buys and maintains assigned stocks of materiel for sale to its customers, primarily Army operating units. The availability of this materiel is linked to equipment and operational readiness and the war fighting readiness and abilities of Army units. The activity group consists of a wholesale division and separate retail divisions for Army major commands. One other retail division is organized by function to support military requirements in the National Capital Region (Washington, DC). The wholesale subdivisions are organized by commodity with major subordinate commands of the Army Materiel Command managing assigned Army items and the Defense Logistics Agency (DLA)-managed prepositioned war reserves under Army control.

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Depot Maintenance. This activity group (formerly Depot Maintenance-Other) maintains end items and depot-level reparables. Its mission encompasses the full range of depot maintenance services, including overhaul, rebuild, conversion, renovation, modification, repair, inspection and test, manufacture, fabrication and reclamation of materiel, as well as other maintenance support services. Installations store, maintain, distribute and demilitarize ammunition, and perform base support host operations. The activity group consists of twelve government-owned and operated depots and depot activities.

Ordnance. This activity group (formerly Depot Maintenance-Ordnance) manufactures, renovates and demilitarizes ordnance materiel for all services within the Department of Defense and foreign military customers. The activity group consists of three arsenals and two ammunition plants that provide depot operations, depot maintenance, set assembly, tenant support and national procurement services for thin- and thick-walled cannon. The five activities are responsible for logistics management including follow-on procurement, production, maintenance, engineering and integrated logistics support management.

Information Services. This activity group first operated under the DBOF on a cost reimbursable basis in FY 1996; beginning in FY 1997, rates are fully burdened. The activity group provides for the development and operational sustainment of automated information systems (i.e., requirements definition, system design, development, testing, integration, implementation support, and documentation services) at five development centers in FY 1996 and four centers thereafter. The functions were formerly financed in an appropriated-fund environment.

PERSONNEL

In order to perform efficiently, Army-managed AWCF activity groups should have the optimum mix of appropriately skilled people to match workload requirements. Because reductions to the work force are accomplished, to the maximum extent possible, through voluntary separations and hiring freezes, skill mismatches between the work force and the workload requirements may occur. Such mismatches may cause unprogrammed losses. However, the Army is working to minimize these types of losses.

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Civilian and military strengths and regular workyears (Full Time Equivalents--FTEs), by activity group, are as follows:

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Supply Management, Army</u>				
Civilian End Strength	3,963	4,100	3,522	3,523
Civilian FTEs	4,282	4,124	3,721	3,524
Military End Strength	22	15	15	15
Military Workyears	52	15	15	15
<u>Depot Maintenance</u>				
Civilian End Strength	15,020	14,009	13,780	13,176
Civilian FTEs	14,861	14,462	13,799	13,319
Military End Strength	97	113	91	91
Military Workyears	225	128	89	89
<u>Ordnance</u>				
Civilian End Strength	5,210	5,124	4,962	4,831
Civilian FTEs	5,377	5,213	4,982	4,831
Military End Strength	23	23	23	23
Military Workyears	25	23	23	23
<u>Information Services</u>				
Civilian End Strength	1,001	969	983	983
Civilian FTEs	1,042	989	992	992
Military End Strength	172	267	219	216
Military Workyears	218	258	219	216

COSTS

Costs declined during the budget years as a result of efficiencies, mission transfers and eliminations, and BRAC-related workload reductions. Costs are reflected below by activity group (\$M):

	FY 1996	FY 1997	FY 1998	FY 1999
Supply Management	7,223.0	7,333.2	7,021.0	6,889.3
Depot Maintenance	1,531.7	1,491.6	1,449.3	1,469.5
Ordnance	511.7	494.3	488.4	486.9
Information Services	150.9	146.8	165.3	159.4

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NET AND ACCUMULATED OPERATING RESULTS

The Army Working Capital Fund activity groups operate on a break-even basis over the budget cycle. The Army sets annual revenue rates to achieve positive or negative results, in order to bring accumulated operating results to zero in the budget years. The activity group's effectiveness is measured by comparing performance to goal, rather than simple calculation of net operating results. Net and accumulated operating results are reflected below (\$M):

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Supply Management, Army</u>				
Net Operating Result	26.7	(43.0)	9.8	0.0
Accumulated Operating Result	33.2	(9.8)	0.0	0.0
<u>Depot Maintenance</u>				
Net Operating Result	30.7	(71.1)	18.3	0.0
Accumulated Operating Result	52.9	(18.3)	0.0	0.0
<u>Ordnance</u>				
Net Operating Result	33.5	(20.4)	(22.1)	0.0
Accumulated Operating Result	42.5	22.1	0.0	0.0
<u>Information Services</u>				
Net Operating Result	1.5	1.7	(3.2)	0.0
Accumulated Operating Result	1.5	3.2	0.0	0.0

UNIT COSTS

Unit costing is a methodology established to authorize and control costs. Unit cost goals allow activities to respond to workload changes by setting goals to reduce costs when workload declines and to provide for the additional cost authority necessary to meet increased customer demand. However, in spite of productivity initiatives and transfers of some functions, Depot Maintenance and Ordnance unit costs are rising as a result of fixed costs being spread over a decreasing order base. The FY 1996 unit cost for Information Services was low because the rates were not fully burdened in that year.

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The following displays actual unit costs for FY 1996 and estimated unit cost goals for FYs 1997 through 1999:

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Supply Management, Army</u>				
Wholesale: Cost/\$ Gross Sales	\$0.84	\$0.91	\$0.90	\$0.90
Retail: Cost/\$ Gross Sales	\$1.05	\$1.00	\$1.00	\$1.00
<u>Depot Maintenance</u>				
\$ per Direct Labor Hour (DLH)	\$89.46	\$94.40	\$92.30	\$95.51
<u>Ordnance</u>				
\$ per DLH	\$96.89	\$96.95	\$97.95	\$98.52
<u>Information Services</u>				
Design Activities: \$ per DLH	\$54.27	\$66.54	\$67.59	\$59.31
Small Computer Program: % Sales	n/a	n/a	1%	1%

CUSTOMER RATE CHANGES

In general, activity group rates are set to recover full costs and adjust for prior year operating results. Rate changes are expressed as a percentage change from the rate charged in the previous year. Rate swings in the Depot Maintenance and Ordnance activities are primarily due to recovery of prior year losses or return of prior year gains. The Supply Management activity replaces fewer stocks than are sold. The savings generated from this difference between sales and replenishment are used to lower prices over what would normally be required to cover full costs. Although FY 1998 and FY 1999 Supply prices do increase over FY 1997, they are lower in real terms than FY 1996.

	FY 1996	FY 1997	FY 1998	FY 1999
Supply Management	5.4%	(6.0%)	2.3%	2.2%
Depot Maintenance	(23.1%)	6.9%	4.0%	0.5%
Ordnance	(14.1%)	4.9%	(8.1%)	8.5%
Information Services	n/a	n/a	(3.6%)	4.5%

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CUSTOMER RATES

In the Depot Maintenance, Ordnance and Information Services activity groups, customer rates are set per direct labor hour. These rates are stabilized so that the customer's buying power is protected in the year of execution. The following table shows the rate per direct labor hour for these activities:

	FY 1996	FY 1997	FY 1998	FY 1999
Depot Maintenance	\$84.24	\$90.07	\$93.71	\$94.13
Ordnance	\$84.78	\$88.93	\$81.72	\$88.64
Information Services	n/a	\$64.89	\$62.56	\$65.41

REVENUE

As the Army continues to downsize and require fewer supplies, equipment and services, revenues decline. Supply Management gross sales decline between fiscal years 1996 and 1999 based on the continuation of the Consumable Item Transfer (CIT) to the Defense Logistics Agency and to reduced support for contingency operations. Although revenue changes, in real terms, in Depot Maintenance, Ordnance, and Information Services are masked by rate changes, they do decrease because of lowered customer requirements. The following table displays revenue by activity group (\$M):

	FY 1996	FY 1997	FY 1998	FY 1999
Supply Management	10,515.7	9,665.7	9,236.5	9,095.1
Depot Maintenance	1,552.6	1,463.7	1,487.0	1,486.9
Ordnance	531.3	510.3	488.4	497.5
Information Services	152.4	148.5	162.1	159.4

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WORKLOAD

Generally, workload is declining in the budget years due to decreasing customer funding. In addition, the Supply Management activity's efforts to reduce leadtimes result in fewer pipeline replacements. The Depot Maintenance and Ordnance activity groups' direct labor hours decrease as new customer orders decline. Information Services' workload is accomplished through in-house and contract efforts. In FY 1999, the activity expects additional in-house workload and decreased contract workload.

	FY 1996	FY 1997	FY 1998	FY 1999
<u>Supply Management, Army</u>				
Line Items Managed	161,051	158,180	157,680	157,180
Requisitions Received (\$M)	4,362.9	3,926.9	3,926.7	3,878.8
Receipts	340,612	366,569	322,556	331,977
Issues	1,308,128	1,272,504	1,260,129	1,260,583
Contracts Executed	11,690	11,339	10,999	10,669
<u>Depot Maintenance</u>				
Direct Labor Hours (000)	17,121	15,801	15,702	15,385
<u>Ordnance</u>				
Direct Labor Hours (000)	5,635	5,474	5,212	5,050
<u>Information Services</u>				
Direct Labor Hours (000)	1,559	1,526	1,488	1,600

SUPPLY INVENTORY AND MATERIEL REPLACEMENT

The Supply Management activity anticipates replacing less material than it sells throughout FYs 1998 and 1999, based on its Administrative Lead Time/Production Lead Time inventory requirement reduction initiative. Although Congressional limitation on inventory replacement no longer exists, this budget reflects replenishment rates approximately 65-70%. Since the activity will approach its revised required inventory levels in the latter half of FY 1999, replenishment rates can be expected to rise beyond the budget years.

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PERFORMANCE INDICATORS

Performance indicators for the Depot Maintenance, Ordnance and Information Services activity groups are labor hour costs, net operating results, and unit costs. In addition, schedule conformance is an indicator for Depot Maintenance and Ordnance. The goals for these are to execute labor hour costs at or below budgeted levels; to achieve or exceed budgeted operating results; and, for Depot Maintenance, to complete at least 95 percent of items worked on schedule.

In the Supply Management, Army (SMA) activity group, stock availability measures the percentage of requisitions satisfied upon initial processing in the wholesale supply system. The SMA target for stock availability is 85 percent demand satisfaction. FY 1996 through FY 1999 budget requirements are based on the 85 percent target. Data provided reflects FY 1996 actual performance.

<u>Quarter</u>	<u>Percent</u>
1st	85.5
2d	84.2
3d	82.9
4th	84.7

Stock availability fell below target in FY 1996 primarily due to two conditions. A change in the Depot Maintenance Work Requirement (DMWR) for the M1 engine causes demand for parts to rise above planned stock levels, which were based on previous DMWR levels. Management established a three-month safety level for these parts late in FY 1996; as a result, production is now meeting monthly demands. In addition, a significant portion of the aviation flight safety parts, obtained from sources other than the prime vendor, required fatigue testing. Reprocurement actions commenced to replace parts which failed fatigue testing.

COST OF DEPOT LEVEL REPARABLES

The cost of Depot Level Reparables (DLRs) in the Supply Management activity group continues to decrease, consistent with the decrease in DLR demands and sales since the implementation of the Stock Funding DLR initiative. The reduced demands result, in part, from the increased field level diagnostics and authorized repair of DLRs.

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DEPOT MAINTENANCE/ORDNANCE CARRY-OVER

Carry-over levels (unfilled orders) drop significantly between fiscal years 1996 and 1999. The computation of number of months of carry-over, applicable to the Depot Maintenance and Ordnance activity groups, is displayed below:

Depot Maintenance	FY 1996	FY 1997	FY 1998	FY 1999
Unfilled orders, beginning of year (\$M)	1,090.0	840.5	774.2	687.2
New orders (\$M)	1,303.1	1,397.4	1,400.0	1,409.0
Gross orders (\$M)	2,393.1	2,237.9	2,174.2	2,096.2
Less revenue (\$M)	1,552.6	1,463.7	1,487.0	1,486.9
Gross carry-over (\$M)	840.5	774.2	687.2	609.3
Less WIP (\$M)	263.9	237.6	238.8	238.4
Less FMS, BRAC, Non-DoD, Intra-Inter DWCF (excluding Supply Management) (\$M)	110.0	122.0	121.0	118.0
Less contract liabilities (\$M)				
Net carry-over (\$M)	466.6	414.6	327.4	252.9
Carry-over in Months	3.6	3.4	2.6	2.0
Ordnance				
Unfilled orders, beginning of year (\$M)	474.4	431.8	300.8	166.9
New orders (\$M)	488.7	379.3	354.5	380.4
Gross orders (\$M)	963.1	811.1	655.3	547.2
Less revenue (\$M)	531.3	510.3	488.4	497.5
Gross carry-over (\$M)	431.8	300.8	166.9	49.7
Less WIP (\$M)	99.4	63.0	40.9	30.3
Less FMS, BRAC, Non-DoD, Intra-Inter DWCF (excluding Supply Management) (\$M)	30.3	31.9	3.4	3.5
Less contract liabilities (\$M)				
Net carry-over (\$M)	302.1	205.9	122.6	15.9
Carry-over in Months	6.8	4.8	3.0	0.4

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CAPITAL BUDGET PROGRAM

The Army Working Capital Fund activity groups seek to maintain and develop capabilities through equipment acquisition and the execution of minor construction projects. The budget request provides for equipment acquisition to replace obsolete and unserviceable equipment, repair processes modernization, elimination of environmental hazards, and decrease in repair costs through productivity improvements. The following table displays the capital investment program for fiscal years 1996 through 1999 (\$M):

	FY 1996	FY 1997	FY 1998	FY 1999
Supply Management	20.8	45.6	43.1	17.4
Depot Maintenance	50.2	48.2	34.2	12.4
Ordnance	15.4	17.5	18.3	11.1
Information Services	0.0	0.0	0.3	0.3
TOTAL	86.4	111.3	95.9	41.2

OPERATING BUDGET

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Supply Management, Army**

FUNCTIONAL DESCRIPTION

The Supply Management, Army (SMA) Activity Group consists of a wholesale division and separate retail divisions for Army major commands. One other retail division is organized by function to support military requirements in the National Capital Region (Washington, DC). The wholesale subdivisions are organized by commodity with major subordinate commands managing assigned Army items and the Defense Logistics Agency (DLA)-managed prepositioned war reserves under Army control. Supply Management activities consist of the following:

Retail Supply Operations

Retail Divisions

FORSCOM	Headquarters, U.S. Army Forces Command
USAREUR	Headquarters, U.S. Army Europe
TRADOC	Headquarters, U.S. Army Training and Doctrine Command
USARPAC	Headquarters, U.S. Army Pacific Command
USAEIGHT	Headquarters, Eighth U.S. Army Korea
USARSO	Headquarters, U.S. Army Southern Command
AMC-ID	Headquarters, U.S. Army Materiel Command-Installation Division

Type of Materiel Managed:

Department of the Army (DA), DLA, and General Services Administration (GSA) items: items include repair parts; clothing; subsistence; medical supplies; industrial supplies; bulk and packaged Petroleum, Oil, and Lubricants (POL); general supplies; and ground support supplies.

In addition, Defense Supply Service - Washington (DSS-W) manages GSA items, administrative office supplies and equipment.

Wholesale Supply Operations

<u>Wholesale Subdivisions</u>	<u>Type of Materiel Managed</u>
ATCOM U.S. Army Aviation and Troop Command, St. Louis, MO	Aircraft and ground support items

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CECOM U.S. Army Communications- Electronics Command, Ft. Monmouth, NJ	Communication and electronics items
MICOM U.S. Army Missile Command, Redstone Arsenal, AL	Missile systems items
TACOM U.S. Army Tank and Automotive Command, Warren, MI	Combat, automotive, and construction items
ACALA U.S. Army Armament and Chemical Acquisition and Logistics Activity, Rock Island, IL	Weapons, special weapons, chemical and fire control items
AMC-Mobilization Headquarters, U.S. Army Materiel Command, Alexandria, VA	DLA/GSA items: repair parts, clothing, subsistence, medical supplies, industrial supplies, ground forces supplies

BUDGET HIGHLIGHTS

Sales:

Supply Management, Army (SMA) gross sales will decline in FY 1996-1999 based on the continuation of the Consumable Item Transfer (CIT) to the Defense Logistics Agency, and the drawdown for support of contingency operations.

	FY 1996	FY 1997	FY 1998	FY 1999
Gross Sales (\$M)	10,515.7	9,665.7	9,236.5	9,095.1
Obligations for Materiel (Includes depot-level repair of DLRs) (\$M)	6,430.1	5,998.9	5,666.9	5,646.5
Credit Returns (\$M)	3,144.8	2,552.3	2,450.4	2,390.3

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Operating Results:

The Army Working Capital Fund activity groups operate on a break-even basis over the budget cycle. The Army sets annual rates to achieve positive or negative results in order to bring accumulated operating results to zero in the budget years. Net and accumulated operating results (AOR) for SMA are reflected below (\$M):

	FY 1996	FY 1997	FY 1998	FY 1999
Net Operating Results	26.7	(43.0)	9.8	0.0
AOR	33.2	(9.8)	0.0	0.0

Workload and Economic Assumptions:

The following presents general workload data and economic assumptions for the Wholesale Division:

	FY 1996	FY 1997	FY 1998	FY 1999
SMA Line Items Managed	161,051	158,180	157,680	157,180
SMA Requisitions Rc'd (\$M)	4,362.9	3,926.9	3,926.7	3,878.8
Receipts	340,612	366,569	322,556	331,977
Issues	1,308,128	1,272,504	1,260,129	1,260,583
Contracts Executed (\$M)	11,690	11,339	10,999	10,669
Credit Return (\$M)	3,144.8	2,552.3	2,450.4	2,390.3
Customer Price Change	5.4%	(6.0%)	2.3%	2.2%
SMA Purchases Inflation	3.0%	2.0%	1.3%	1.1%

Prices for Army-managed items were adjusted downward an average of 6.0 percent in FY 1997. Prices for FY 1998 and FY 1999 have been adjusted to reflect the result of ongoing efforts to reduce inventory levels, primarily leadtime requirements, which has resulted in replenishing and repairing less material than sold.

Unit costs:

Unit Cost Goal:	FY 1996	FY 1997	FY 1998	FY 1999
Wholesale	\$0.84	\$0.91	\$0.90	\$0.90
Retail	\$1.05	\$1.00	\$1.00	\$1.00

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Personnel:

	FY 1996	FY 1997	FY 1998	FY 1999
Civilian End Strength	3,963	4,100	3,522	3,523
Civilian FTEs	4,282	4,124	3,721	3,524
Military End Strength	22	15	15	15
Military Workyears	52	15	15	15

Civilian manpower strengths and Full Time Equivalents (FTEs), continue to decrease between FY 1996 and FY 1999 due to overall downsizing.

Inventory:

	FY 1996	FY 1997	FY 1998	FY 1999
Inventory (\$ in millions)	10,774.0	10,660.9	10,549.4	10,667.0

Inventory, revalued for unserviceability and potential disposal, declines through FY 1998. The FY 1999 inventory value reflects increased inventory serviceability and improved ratio of applicable to inapplicable stocks. As inventory applicability and serviceability increases, Army's stock turn ratio is expected to rise.

Supply Management Stock Availability:

Stock availability measures the percentage of Supply Management, Army (SMA) requisitions satisfied upon initial processing in the wholesale supply system. The SMA target for stock availability is 85 percent demand satisfaction. FY 1996 through FY 1999 budget requirements are based on the 85 percent target. Data provided reflects FY 1996 actual performance. Although stock availability dropped through the first three quarters of FY 1996, the trend reversal indicated in fourth quarter is confirmed by the latest available FY 1997 data.

Quarter	Percent
1st	85.5
2d	84.2
3d	82.9
4th	84.7

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Supply Management, Army

Stock availability fell below target in FY 1996 primarily due to two conditions. A change in the Depot Maintenance Work Requirement (DMWR) for the M1 engine causes demand for parts to rise above planned stock levels, which were based on previous DMWR levels. Management established a three-month safety level for these parts late in FY 1996; as a result, production is now meeting monthly demands. In addition, a significant portion of the aviation flight safety parts, obtained from sources other than the prime vendor, required fatigue testing. Reprocurement actions commenced to replace parts which failed fatigue testing.

Major Programmatic Adjustments:

In FYs 1998 and 1999, Supply Management will continue to use its activity cash to partially offset rising Defense Agency costs levied on the activity. Management initiatives have reduced Army-controlled costs, further mitigating customer price increases.

Capital Budget Program.

The activity group seeks to maintain and develop capabilities through equipment and software acquisition. The Capital Budget Program primarily funds development of software to improve managerial decision-making quality and timeliness through efficient access to and use of data. Following are the capital obligations for this activity group by category:

	FY 1996	FY 1997	FY 1998	FY 1999
Equipment	2.0	0.1	0.4	
ADP	1.1	1.4	2.7	0.5
Software	17.7	44.1	40.0	16.9
TOTAL	20.8	45.6	43.1	17.4

Types of equipment and software include LANs, servers, desk top computers, high speed printers and a variety of software products which enhance program integration streamlining for Materiel Management Centers and acquisition areas of our National Inventory Control Points.

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Revenue and Expenses
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
Revenue				
Gross Sales	7,370.9	7,113.4	6,786.1	6,704.8
Operations	7,306.7	7,048.8	6,704.5	6,631.0
Capital Surcharge	51.2	52.6	63.6	53.1
Depreciation exc Maj Const	13.0	12.0	18.0	20.7
Total Income:	7,370.9	7,113.4	6,786.1	6,704.8
Expenses				
Cost of Material Sold from Inventory	6,563.2	6,628.8	6,229.1	6,149.0
Salaries and Wages:	216.6	225.6	203.5	201.5
Military Personnel Compensation & Benefits	1.3	1.0	0.8	0.8
Civilian Personnel Compensation & Benefits	215.3	224.6	202.7	200.7
Travel & Transportation of Personnel	3.2	2.7	3.0	3.0
Materiel & Supplies (For Internal Operations)	3.9	3.7	3.6	3.6
Equipment	3.4	3.6	3.5	3.4
Other Purchases from Revolving Funds	147.3	153.0	246.8	191.2
Transportation of Things	43.3	45.7	67.4	67.6
Depreciation - Capital	13.1	12.0	18.0	20.7
Printing and Reproduction	0.4	0.6	0.6	0.6
Advisory and Assistance Services	17.8	13.5	17.0	20.3
Rent, Communication, Utilities & Misc. Charges	4.5	6.6	6.7	6.7
Other Purchased Services	136.9	156.0	159.8	160.9
Loss/Obssolescence Obs (includes condemnation	33.7	46.8	45.6	44.6
European Redistribution Facility	18.8	18.0		
Safety of Use/Flight	16.9	16.6	16.4	16.2
Total Expenses:	7,223.0	7,333.2	7,021.0	6,889.3
Operating Result	147.9	(219.8)	(234.9)	(184.5)
Less Capital Surcharge Reservation	51.2	52.6	63.6	53.1
Other Changes Affecting NOR/AOR	70.0	(229.4)	308.3	237.6
Net Operating Result	26.7	(43.0)	9.8	
Prior Year AOR	6.5	33.2	(9.8)	(0.0)
Accumulated Operating Result	33.2	(9.8)	(0.0)	

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Source of Revenue
(\$ in Millions)

		<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
1.	New Orders				
a.	Orders from DoD Components:				
	Department of Army				
	Operations & Maintenance, Army	5,044.8	4,547.4	4,322.2	4,255.3
	Operations & Maintenance, ARNG	374.7	341.5	337.4	336.8
	Operations & Maintenance, AR	302.7	288.4	261.1	249.6
	Subtotal, O&M:	5,722.2	5,177.3	4,920.7	4,841.7
	Procurement Appropriations	152.9	136.1	104.5	92.7
	RDTE	117.1	102.3	101.0	100.1
	Military Personnel, Army	84.2	84.2	81.0	84.6
	Other	75.5	68.6	73.1	66.9
	Subtotal, Department of Army:	6,151.9	5,568.5	5,280.3	5,186.0
	Department of Air Force	221.6	208.9	203.7	203.4
	Department of Navy	67.1	64.3	62.9	62.1
	US Marines	102.5	93.1	88.5	88.1
	Department of Defense	736.9	710.4	654.1	623.4
	Subtotal, Other DoD Services:	1,128.1	1,076.7	1,009.2	977.0
b.	DWCF:				
	Depot Maintenance, Army	308.6	304.3	292.6	287.2
	Supply Management, Army (Retail)	2,844.5	2,283.3	2,299.4	2,283.6
	Other DWCF:				
	DLA	51.2	50.5	49.7	49.4
	Subtotal DWCF:	3,204.3	2,638.1	2,641.7	2,620.2
c.	Total DoD	10,484.3	9,283.3	8,931.2	8,783.2

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Source of Revenue
(\$ in Millions)

		FY 1996	FY 1997	FY 1998	FY 1999
d.	Other Orders:				
	Other Federal Agencies	388.9	379.2	370.4	380.7
	Foreign Military Sales	25.8	23.8	22.9	22.8
	Other	341.4	334.3	326.8	336.9
		21.7	21.1	20.7	21.0
		Total New Orders:	10,873.2	9,662.5	9,301.6
				9,163.9	
2.	Carry-in Orders		0.0	0.0	0.0
3.	Total Gross Orders		10,873.2	9,662.5	9,301.6
4.	Change in Backlog		357.5	(3.2)	65.1
5.	Total Gross Sales		10,515.7	9,665.7	9,236.5
6.	Less:				
	Returns for Credit and Allowances		3,144.8	2,552.3	2,450.4
7.	Net Sales		7,370.9	7,113.4	6,786.1
				6,704.8	

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army**

**Changes in the Costs of Operation
(\$ in Millions)**

<u>Expenses</u>	
FY 1996 Actual Cost	7,223.0
FY 1997 Estimate in President's Budget	6,337.4
Pricing Adjustments	1.2
General Purchase Inflation	1.1
Military Personnel	0.1
Program Changes	994.6
Sales Increase	994.6
FY 1997 Current Estimate	7,333.2
Pricing Adjustments	(21.7)
Civilian Personnel	1.1
Military Personnel	(0.1)
General Purchase Inflation	(22.7)
Program Changes	(290.5)
Defense Reutilization and Marketing Service	78.8
Sales Decrease	(371.7)
Distribution Depot	34.4
European Redistribution Facility Closure	(18.0)
Electronic Contracting	(14.0)
FY 1998 Estimate	7,021.0
Pricing Adjustments	(5.1)
Civilian Personnel	0.3
Military Personnel	(0.1)
General Purchase Inflation	(5.3)
Program Changes	(126.6)
Sales Decrease	(71.9)
Defense Reutilization and Marketing Service	(54.7)
FY 99 Estimate	6,889.3

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Inventory Status				
Fiscal Year 1996				
(\$ in Millions)				
---- Peacetime ----				
	Total	Mobilization	Operating	Other
1. Materiel Inventory BOP (at Standard)	17,204.4	2,625.2	7,882.5	6,696.7
2. Materiel Inventory BOP (revalued-memo)	11,317.0	1,773.0	2,613.9	6,930.1
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes	0.0	127.7	398.6	(526.3)
b. Price Changes (memo)	136.9	26.7	10.9	99.3
c. Inventory Reclassified and Repriced	17,341.3	2,779.6	8,292.0	6,269.7
4. Receipts at Standard	7,109.1	44.3	7,064.8	
5. Gross Sales	10,515.7	22.2	10,493.5	
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)	(322.5)	(3.8)	(147.4)	(171.3)
b. Returns from Customers for Credit	5,412.2		1,658.0	3,754.2
c. Returns from Customers without Credit	2,057.7			2,057.7
d. Returns to suppliers (-)	(2,415.7)			(2,415.7)
e. Transfers to Property Disposal (-)	(1,967.4)			(1,967.4)
f. Issues/Receipts without Reimbursement + or (-)	(48.0)	(0.8)	1.8	(49.0)
g. Other	23.0	(10.7)	25.1	8.6
h. Total Adjustments	2,739.3	(15.3)	1,537.5	1,217.1
7. Materiel Inventory EOP	16,674.0	2,786.4	6,400.8	7,486.8
8. Materiel Inventory EOP (revalued-memo)	10,774.0	1,800.4	4,135.9	4,837.6
a. Economic Retention (memo)	860.3			860.3
b. Policy Retention (memo)	1,090.8			1,090.8
c. Potential Excess (memo)	33.2			33.2
9. Material Inventory on Order EOP (memo)	3,210.9	77.8	3,133.1	

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

	Inventory Status			
	Fiscal Year 1997			
	(\$ in Millions)			
	— Peacetime ——	Total	Mobilization	Operating
				Other
1. Materiel Inventory BOP (at Standard)		16,674.0	2,786.4	6,400.8
2. Materiel Inventory BOP (revalued-memo)		10,774.0	1,800.4	4,135.9
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes			5.4	1,556.3
b. Price Changes (memo)		(687.1)	(67.7)	(315.6)
c. Inventory Reclassified and Repriced		15,986.9	2,724.1	7,641.5
4. Receipts at Standard		6,521.9	31.6	6,490.3
5. Gross Sales		9,665.7		9,665.7
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)		(61.1)	(0.3)	(34.6)
b. Returns from Customers for Credit		4,714.9		1,473.4
c. Returns from Customers without Credit		1,883.9		1,883.9
d. Returns to suppliers (-)		(2,174.3)	(5.0)	(6.8)
e. Transfers to Property Disposal (-)		(1,696.4)		(4.7)
f. Issues/Receipts without Reimbursement + or (-)		(23.0)	(7.2)	(15.8)
g. Other		(47.5)	(18.0)	(24.7)
h. Total Adjustments		2,596.5	(30.5)	1,402.6
				1,224.4
7. Materiel Inventory EOP		15,439.6	2,725.2	5,868.7
8. Materiel Inventory EOP (revalued-memo)		10,660.9	2,062.3	3,592.7
a. Economic Retention (memo)		851.3		851.3
b. Policy Retention (memo)		1,079.3		1,079.3
c. Potential Excess (memo)		32.8		32.8
9. Material Inventory on Order EOP (memo)		2,474.6	107.5	2,367.1

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

	Inventory Status			
	Fiscal Year 1998			
	(\$ in Millions)			
	----- Peacetime -----	Total	Mobilization	Operating
				Other
1. Materiel Inventory BOP (at Standard)		15,439.6	2,725.2	5,868.7
2. Materiel Inventory BOP (revalued-memo)		10,660.9	2,062.3	3,592.7
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes			41.5	1,830.5
b. Price Changes (memo)		400.1	24.5	181.1
c. Inventory Reclassified and Repriced		15,839.7	2,791.2	7,880.3
4. Receipts at Standard		6,244.6	30.2	6,214.4
5. Gross Sales		9,236.5		9,236.5
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)		(34.5)		(34.5)
b. Returns from Customers for Credit		4,389.3		1,544.5
c. Returns from Customers without Credit		1,761.1		1,761.1
d. Returns to suppliers (-)		(1,894.5)	(7.0)	(7.1)
e. Transfers to Property Disposal (-)		(1,731.2)		(0.6)
f. Issues/Receipts without Reimbursement + or (-)		(22.7)	(7.5)	(15.2)
g. Other		(69.7)	(32.8)	(24.1)
h. Total Adjustments		2,397.8	(47.3)	1,478.2
7. Materiel Inventory EOP		15,245.6	2,774.1	6,336.4
8. Materiel Inventory EOP (revalued-memo)		10,549.4	2,094.3	3,511.8
a. Economic Retention (memo)		842.4		842.4
b. Policy Retention (memo)		1,068.0		1,068.0
c. Potential Excess (memo)		32.5		32.5
9. Material Inventory on Order EOP (memo)		2,424.0	99.6	2,324.4

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Inventory Status Fiscal Year 1999 (\$ in Millions)				
— Peacetime ——				
	Total	Mobilization	Operating	Other
1. Materiel Inventory BOP (at Standard)	15,245.6	2,774.1	6,336.4	6,135.1
2. Materiel Inventory BOP (revalued-memo)	10,549.4	2,094.3	3,511.8	4,943.3
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes		17.8	1,607.9	(1,625.7)
b. Price Changes (memo)	264.5	15.7	132.4	116.4
c. Inventory Reclassified and Repriced	15,510.1	2,807.6	8,076.7	4,625.8
4. Receipts at Standard	6,347.7	31.7	6,288.5	27.5
5. Gross Sales	9,095.1		9,095.1	
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)	0.3		0.3	
b. Returns from Customers for Credit	4,275.0		1,458.1	2,816.9
c. Returns from Customers without Credit				1,793.6
d. Returns to suppliers (-)	(2,419.6)	(7.0)	(606.0)	(1,806.6)
e. Transfers to Property Disposal (-)	(1,667.6)		(0.5)	(1,667.1)
f. Issues/Receipts without Reimbursement + or (-)	(28.7)	(7.2)	(5.9)	(15.6)
g. Other	(59.8)	(34.7)	(18.2)	(6.9)
h. Total Adjustments	1,893.2	(48.9)	827.8	1,114.3
7. Materiel Inventory EOP	14,655.9	2,790.4	6,097.9	5,767.6
8. Materiel Inventory EOP (revalued-memo)	10,667.0	2,101.3	3,681.2	4,884.5
a. Economic Retention (memo)	851.8			851.8
b. Policy Retention (memo)	1,079.9			1,079.9
c. Potential Excess (memo)	32.8			32.8
9. Material Inventory on Order EOP (memo)	2,339.4	140.0	2,199.4	

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Fuel Data
(\$ in Millions)

Product	Procured From DFSC			Procured by Service			
	Barrels (millions)	Cost Per Barrel (\$)	Extended Price (\$ millions)	Barrels (millions)	Cost Per Barrel (\$)	Extended Price (\$ millions)	Stabilized PRICE
FY 1996							
AVGAS	0.000	94.92	0.0	0.001	94.92	0.1	
MOGAS (L)	0.035	37.80	1.3	0.000	37.80	0.0	
MOGAS (U)	0.436	30.66	13.4	0.107	30.66	3.3	
JP-4	0.157	31.92	5.0	0.088	31.92	2.8	
JP-5	0.187	32.76	6.1	0.003	32.76	0.1	
DISTILLATE	0.388	30.66	11.9	0.432	30.66	13.2	
RESIDUALS	0.230	18.48	4.3	0.247	18.48	4.6	
GASOHOL	0.000	30.24	0.0	0.000	30.24	0.0	
JP-8	1.661	31.92	53.0	0.069	31.92	2.2	
TOTAL	3.094	30.70	95.0	0.947	27.77	26.3	0.0
FY 1997							
AVGAS	0.000	99.12	0.0	0.000	99.12	0.0	
MOGAS (L)	0.035	38.22	1.3	0.000	38.22	0.0	
MOGAS (U)	0.430	31.08	13.4	0.106	31.08	3.3	
JP-4	0.030	32.34	1.0	0.088	32.34	2.8	
JP-5	0.046	33.18	1.5	0.000	33.18	0.0	
DISTILLATE	0.362	31.08	11.3	0.425	31.08	13.2	
RESIDUALS	0.230	18.90	4.3	0.247	18.90	4.7	
GASOHOL	0.000	30.66	0.0	0.000	30.66	0.0	
JP-8	1.650	32.34	53.4	0.073	32.34	2.4	
TOTAL	2.783	30.96	86.2	0.939	28.09	26.4	0.0

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Fuel Data
(\$ in Millions)

Product	Procured From DFSC			Procured by Service			Stabilized PRICE
	Barrels (millions)	Cost Per Barrel (\$)	Extended Price (\$ millions)	Barrels (millions)	Cost Per Barrel (\$)	Extended Price (\$ millions)	
FY 1998							
AVGAS	0.000	153.30	0.0	0.000	153.30	0.0	
MOGAS (L)	0.026	44.94	1.2	0.000	44.94	0.0	
MOGAS (U)	0.386	36.96	14.3	0.107	36.96	4.0	
JP-4	0.076	49.56	3.8	0.054	49.56	2.7	
JP-5	0.048	39.06	1.9	0.000	39.06	0.0	
DISTILLATE	0.366	36.96	13.5	0.409	36.96	15.1	
RESIDUALS	0.218	23.10	5.0	0.148	23.10	3.4	
GASOHOL	0.000	36.54	0.0	0.000	36.54	0.0	
JP-8	1.650	38.22	63.1	0.065	38.22	2.5	
TOTAL	2.770	37.08	102.7	0.783	35.31	27.7	0.0
FY 1999							
AVGAS	0.000	146.58	0.0	0.000	146.58	0.0	
MOGAS (L)	0.036	42.84	1.5	0.000	42.84	0.0	
MOGAS (U)	0.428	35.28	15.1	0.106	35.28	3.7	
JP-4	0.029	47.46	1.4	0.054	47.46	2.6	
JP-5	0.026	37.38	1.0	0.000	37.38	0.0	
DISTILLATE	0.367	35.28	12.9	0.407	35.28	14.4	
RESIDUALS	0.218	22.26	4.9	0.148	22.26	3.3	
GASOHOL	0.000	34.86	0.0	0.000	34.86	0.0	
JP-8	1.650	36.54	60.3	0.064	36.54	2.3	
TOTAL	2.754	35.25	97.1	0.779	33.75	26.3	0.0

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Summary by Division
(\$ in Millions)

Division	Net		Obligation Targets		
	Customer Orders	Net Sales	Operating	Mobilization	Total
RETAIL					
FORSCOM					
FY 1996	1,755.8	1,610.0	1,800.7		1,800.7
FY 1997	1,671.5	1,709.0	1,586.2		1,586.2
FY 1998	1,381.3	1,414.3	1,370.8		1,370.8
FY 1999	1,332.7	1,360.1	1,350.5		1,350.5
USAREUR					
FY 1996	962.1	844.6	974.3		974.3
FY 1997	631.3	650.7	660.8		660.8
FY 1998	662.1	660.9	665.2		665.2
FY 1999	680.9	681.7	692.3		692.3
TRADOC					
FY 1996	895.2	952.1	959.7		959.7
FY 1997	1,016.0	1,022.0	1,015.8		1,015.8
FY 1998	1,008.2	1,004.2	999.5		999.5
FY 1999	1,007.7	1,005.7	1,002.4		1,002.4
USAEIGHT					
FY 1996	300.5	285.9	313.4		313.4
FY 1997	314.2	311.9	315.4		315.4
FY 1998	318.7	313.4	314.6		314.6
FY 1999	328.5	326.5	329.2		329.2
USARPAC					
FY 1996	238.7	244.1	235.9		235.9
FY 1997	258.6	255.8	255.7		255.7
FY 1998	259.0	257.1	254.1		254.1
FY 1999	262.2	260.7	259.3		259.3

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Summary by Division
(\$ in Millions)

<u>Division</u>	<u>Net</u>		<u>Obligation Targets</u>		
	<u>Customer Orders</u>	<u>Net Sales</u>	<u>Operating</u>	<u>Mobilization</u>	<u>Total</u>
RETAIL(cont'd)					
USARSO					
	FY 1996	57.8	58.5	56.2	56.2
	FY 1997	52.3	52.1	52.2	52.2
	FY 1998	49.8	47.8	47.0	47.0
	FY 1999	45.8	43.9	42.8	42.8
AMC-ID					
	FY 1996	337.0	358.8	344.2	344.2
	FY 1997	328.0	351.2	338.2	338.2
	FY 1998	324.2	340.1	329.0	329.0
	FY 1999	332.1	342.5	337.5	337.5
DSS-W					
	FY 1996	17.9	18.6	17.1	17.1
	FY 1997	39.8	35.6	41.4	41.4
	FY 1998	42.5	38.9	44.2	44.2
	FY 1999	22.2	27.1	21.4	21.4

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Summary by Division
(\$ in Millions)

<u>Division</u>	<u>Net</u>		<u>Obligation Targets</u>		
	<u>Customer Orders</u>	<u>Net Sales</u>	<u>Operating</u>	<u>Mobilization</u>	<u>Total</u>
WHOLESALE-CONSUMABLES					
ACALA					
FY 1996	198.8	181.4	97.0		97.0
FY 1997	197.2	182.8	100.4		100.4
FY 1998	186.8	173.1	89.3		89.3
FY 1999	189.7	175.8	91.8		91.8
ATCOM					
FY 1996	198.9	196.9	138.9		138.9
FY 1997	149.1	149.9	123.4		123.4
FY 1998	149.7	153.2	138.5		138.5
FY 1999	155.8	150.2	132.2		132.2
CECOM					
FY 1996	207.1	203.7	117.6		117.6
FY 1997	192.8	182.8	84.8		84.8
FY 1998	188.4	183.4	89.4		89.4
FY 1999	185.2	180.0	92.8		92.8
MICOM					
FY 1996	34.7	34.1	26.5		26.5
FY 1997	32.6	34.4	30.8		30.8
FY 1998	33.9	34.7	24.5		24.5
FY 1999	32.9	33.8	21.1		21.1
TACOM					
FY 1996	369.0	367.2	235.0		235.0
FY 1997	311.7	301.6	225.6		225.6
FY 1998	294.8	289.1	199.9		199.9
FY 1999	288.6	285.4	194.1		194.1

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Summary by Division
(\$ in Millions)

Division	Net		Obligation Targets		
	Customer Orders	Net Sales	Operating	Mobilization	Total
WHOLESALE-REPARABLES					
ACALA					
FY 1996	163.4	158.6	59.7		59.7
FY 1997	186.7	174.4	80.5		80.5
FY 1998	184.7	183.6	73.8		73.8
FY 1999	188.7	183.5	74.3		74.3
ATCOM					
FY 1996	828.4	765.7	393.5		393.5
FY 1997	770.2	768.7	424.8		424.8
FY 1998	754.8	753.5	378.1		378.1
FY 1999	740.5	740.3	353.7		353.7
CECOM					
FY 1996	347.0	338.1	217.2		217.2
FY 1997	273.7	271.9	217.9		217.9
FY 1998	275.8	270.8	192.9		192.9
FY 1999	260.1	255.2	202.2		202.2
MICOM					
FY 1996	385.5	298.0	188.5		188.5
FY 1997	312.8	302.7	206.4		206.4
FY 1998	315.8	305.7	202.9		202.9
FY 1999	297.0	287.3	191.8		191.8
TACOM					
FY 1996	457.9	468.2	264.5		264.5
FY 1997	358.8	342.8	225.4		225.4
FY 1998	356.5	347.0	237.6		237.6
FY 1999	352.9	347.8	239.4		239.4

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Summary by Division
(\$ in Millions)

<u>Division</u>	<u>Net</u>		<u>Obligation Targets</u>			<u>Total</u>
	<u>Customer Orders</u>	<u>Net Sales</u>	<u>Operating</u>	<u>Mobilization</u>		
AMC-MOB						
FY 1996	18.3	18.6	17.2			17.2
FY 1997	13.1	13.1	13.3			13.3
FY 1998	15.3	15.3	15.5			15.5
FY 1999	17.3	17.3	17.5			17.5
Cost of Operations						
FY 1996			622.3			622.3
FY 1997			629.3			629.3
FY 1998			667.0			667.0
FY 1999			650.1			650.1
Capital						
FY 1996			20.8			20.8
FY 1997			45.6			45.6
FY 1998			43.1			43.1
FY 1999			17.4			17.4
Commitment						
FY 1996			0.0			0.0
FY 1997			111.0			111.0
FY 1998			113.4			113.4
FY 1999			116.1			116.1
Total						
FY 1996	7,774.0	7,403.1	7,100.3	0.0		7,100.3
FY 1997	7,110.4	7,113.4	6,673.9	0.0		6,673.9
FY 1998	6,802.3	6,786.1	6,376.9	0.0		6,376.9
FY 1999	6,720.8	6,704.8	6,313.8	0.0		6,313.8

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Operating Requirement
By Weapon System/Category
(\$ in Millions)

<u>WEAPON SYSTEM/CATEGORY</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Chemical Defense Equipment	32.9	27.3	27.8	30.2
Other Armament, Munitions and Chemicals	31.0	42.7	35.8	34.1
AH-64	161.3	189.1	153.8	155.8
UH-60	171.3	176.5	175.6	149.7
OH-58D	42.6	50.0	47.2	44.5
CH-47D	51.5	48.7	43.2	40.0
T701C Engines	32.7	31.7	28.4	24.6
Air Delivery/Aviation/Troop Equipment	169.2	146.3	173.6	174.8
MSE	20.8	42.2	25.7	25.4
Night Vision Equipment	14.0	23.6	33.9	32.7
Batteries	70.4	40.2	39.9	37.6
Other Communicaitons/Electronics	207.8	183.2	174.9	193.9
MLRS	23.2	28.2	26.9	31.9
PATRIOT	62.3	69.5	54.0	40.7
Other Missile Systems	62.8	76.5	64.2	61.0
M1 Series Tank	172.8	190.7	175.8	166.8
M88 Recovery Vehicle	50.3	38.1	38.7	40.4
M109 Howitzer	46.7	46.4	43.5	45.9
M198 Howitzer	10.0	12.4	12.3	12.4
M113 FOV	63.8	45.4	45.8	46.7
Bradley Fighting Vehicle	86.3	65.9	77.9	76.4
HMMWV	49.2	41.9	41.6	41.3
Tires	14.0	14.0	13.6	13.7
Other Tank & Automotive	91.2	89.4	72.9	72.9
TOTAL	1,738.1	1,719.9	1,627.0	1,593.4

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army

Wholesale Only
Customer Price Change

	FY 1996	FY 1997	FY 1998	FY 1999
1. Gross Sales at Cost	3,370.5	3,302.0	3,231.1	3,179.7
2. Less Materiel Inflation Adjustment	101.2	66.4	42.7	37.9
3. Revised Gross Sales at Cost	3,269.3	3,235.6	3,188.4	3,141.8
4. Surcharge (dollars)	894.3	554.2	576.0	603.3
5. Change to Customers:				
a. Previous Years Surcharge (rate)	23.8%	26.5%	16.7%	17.8%
b. This year's Surcharge divided by line 3 above (\$)	30.4%	19.2%	19.4%	20.4%
c. Percent change to customer	5.4%	-6.0%	2.3%	2.2%

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

FUNCTIONAL DESCRIPTION

The Depot Maintenance activity group provides depot maintenance; ammunition storage, maintenance and demilitarization; base support host; and some residual depot supply operations performed by depots operating under the Industrial Operations Command (IOC), a major subordinate command of the Army Materiel Command (AMC). The mission of the IOC (which manages both the Depot Maintenance and the Ordnance activity groups) is to build a viable world-class industrial infrastructure to produce quality munitions, large caliber weapons while providing the full range of maintenance of ammunition for American and allied services.

Depot maintenance includes the overhaul, rebuild, conversion, renovation, modification, repair, inspection and test, manufacture, fabrication and reclamation of materiel as well as maintenance support services. Customer requirements include repair/overhaul/renovation of rotary wing aircraft; Abrams tanks; Bradley Fighting Vehicles; tracked combat vehicles; light armored and tactical wheeled vehicles; missiles; Multiple Launch Rocket System; self-propelled and towed artillery; tactical and strategic satellite communications and electronics equipment; special-purpose ammunition handling and production equipment. Customer requirements also include storage, maintenance and demilitarization of conventional ammunition and war reserve stock as well as base operations type support for tenants.

ACTIVITY GROUP COMPOSITION

The business area is composed of the following depots/depot activities:

Anniston Army Depot	Anniston, Alabama
Blue Grass Army Depot	Richmond, Kentucky
Corpus Christi Army Depot	Corpus Christi, Texas
Letterkenny Army Depot	Chambersburg, Pennsylvania
Red River Army Depot	Texarkana, Texas
Sierra Army Depot	Herlong, California
Tobyhanna Army Depot	Tobyhanna, Pennsylvania
Tooele Army Depot*	Tooele, Utah
Pueblo Army Depot Activity**	Pueblo, Colorado
Savanna Army Depot Activity	Savanna, Illinois

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

Seneca Army Depot Activity	Romulus, New York
Umatilla Army Depot Activity**	Hermiston, Oregon

*Chemical mission being transferred to Chemical and Biological Command, FY 1998.

**Being decapitalized in FY 1998.

Base Realignment and Closure (BRAC) initiatives affecting this business area are:

- Termination of maintenance mission at Tooele.
- Realignment of combat vehicle maintenance workload from Letterkenny to Anniston and realignment of missile maintenance from Letterkenny to Tobyhanna.
- Closure of Savanna Army Depot Activity with the US Army Defense Ammunition Center and School transferring to McAlester.
- Closure of the Seneca Army Depot Activity (scheduled to go to "caretaker" status in FY 2000).
- Closure of the active ammunition mission workload at Sierra in FY 2001; Sierra will continue the operational stocks mission and the demilitarization of ammunition.
- Realignment of all non-Bradley workload from Red River to Anniston beginning in FY 1997.
- Realignment of workload from Air Force Materiel Command's McClellan AFB to Tobyhanna. Approximately 40% of this workload could be accepted immediately; however, the current plan for the Air Force is to transfer the workload in 1999-2001.

This budget does include additional costs associated with some of these planned initiatives.

BUDGET HIGHLIGHTS

The IOC consolidates management of the Army DWCF Depot Maintenance (formerly managed by Depot Systems Command (DESCOM)) and elements of the former Army Armament, Munitions and Chemical Command (AMCCOM) including AWCF Ordnance. The IOC commands all Army depots, depot activities, ammunition plants, three arsenals, and other Army industrial activities. This consolidation results in savings in management headquarters costs.

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

The chemical demilitarization and storage mission transferred to the Chemical and Biological Defense Command (CBDCOM) effective fiscal year 1996. The CBDCOM is a tenant on depots/depot activities and will reimburse those activities for base support costs.

The budget reflects the depot tiering concept, which was developed to support reduction of the current CONUS infrastructure and management of a smaller, safer ammunition stockpile.

--Tier I - Active Core Depots: Installations designated as Tier I will support a normal/full-up activity level with a stockage configuration of primarily required stocks and minimal non-required stocks needing demilitarization. Installations at this activity level will retain the need for requisite levels of storage support, surveillance, inventory, maintenance, and demilitarization. In this activity group, Blue Grass and Tooele are Tier I sites.

--Tier II - Cadre Depots: Installations designated as Tier II will normally be utilized to perform static storage of follow-on war reserve requirements after C+30, and, at the end state objective, store production offset stocks and limited non-required demilitarization stocks. Red River, Letterkenny and Anniston are Tier II sites.

--Tier III - Caretaker Depots: Installations designated as Tier III will be minimally staffed and will contain static non-required stocks in storage until disposition can be made. All of the Tier III sites are part of BRAC 95 initiatives with Seneca and Savanna slated for complete closure and Sierra ending its ammunition mission by FY 2001.

Personnel:

	FY 1996	FY 1997	FY 1998	FY 1999
Civilian End Strength	15,020	14,009	13,780	13,176
Civilian FTEs	14,861	14,462	13,799	13,319
Military End Strength	97	113	91	91
Military Work Years	225	128	89	89

Civilian manpower strengths and Full Time Equivalents (FTEs), continue to decrease due to overall downsizing, transfers of missions from Pueblo, Umatilla and Tooele to CBDCOM, and BRAC-related reductions at other depots.

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance

Costs, Operating Results (OR), and Rates:

	FY 1996	FY 1997	FY 1998	FY 1999
Costs of Goods/Svcs Produced (\$M)	1,531.7	1,491.6	1,449.3	1,469.5
Costs of Goods Sold (\$M)	1,505.5	1,517.8	1,448.1	1,469.9
Net Operating Results (\$M)	30.7	(71.1)	18.3	0.0
Accumulated Operating Results (\$M)	52.9	(18.3)	0.0	0.0
Customer Rate per DLH	\$84.24	\$90.07	\$93.71	\$94.13
% Change from Prior Year	(23.1%)	6.9%	4.0%	0.5%
Unit Costs (\$/DLH)	\$89.46	\$94.40	\$92.30	\$95.51
DLH (000)	17,121	15,801	15,702	15,385

Costs.

Programmatically, costs of goods produced decrease approximately 10.4% from FY 1996 to the end of FY 1999. Decreased costs result from declining workload and transfers, and are primarily related to decreases in civilian pay and materials and supplies.

Unit Costs.

Despite decreasing costs overall, reduced total direct labor hours (DLHs) cause unit costs to rise from \$89.46/DLH in FY 1996 to \$95.51/DLH in FY 1999. This occurs as a result of spreading fixed costs over diminished direct labor workload.

Operating Results.

FY 1996 recoverable net operating results were considerably better than estimated in the FY 1997 President's Budget (a gain of \$30.6 million vice a loss of \$26.1 million). Both revenues and costs were lower, primarily as a result of decreasing workload and declining personnel. These results partially offset an expected loss in FY 1997, thus lowering the accumulated losses which must be recovered in the FY 1998 rate.

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance

Performance Indicators.

Performance effectiveness indicators for this activity group are labor hour costs, net operating results and schedule conformance. The goals for these are to execute labor hour costs at or below budgeted levels, to achieve or exceed budgeted operating results, and to complete at least 95 percent of items worked on schedule.

Carry-Over.

Carry-over levels decrease between FY 1996 and FY 1999. We have computed the number of months in accordance with OSD policy adopted as a result of the Carry-over Task Force Study. Following are the levels for this activity group:

	FY 1996	FY 1997	FY 1998	FY 1999
Unfilled orders, beginning of year	1,090.0	840.5	774.2	687.2
New orders	1,303.1	1,397.4	1,400.0	1,409.0
Gross orders	2,393.1	2,237.9	2,174.2	2,096.2
Less revenue	1,552.6	1,463.7	1,487.0	1,486.9
Gross carry-over	840.5	774.2	687.2	609.3
Less WIP	263.9	237.6	238.8	238.4
Less FMS, BRAC, Non-DoD, Intra- Inter DCWF (excluding SMA)	110.0	122.0	121.0	118.0
Less contract liabilities				
Net carry-over (\$M)	466.6	414.6	327.4	252.9
Carry-over in Months	3.6	3.4	2.6	2.0

Capital Budget Program.

The capital budget for this activity group declines sharply in FY 1999 due to uncertainty of workload affected by ongoing BRAC initiatives. The following table displays capital authority by equipment category:

	FY 1996	FY 1997	FY 1998	FY 1999
Equipment	25.7	21.3	23.0	4.3
ADPE and Telecommunications	17.5	7.7	0.5	
Minor Construction	6.9	11.3	4.0	2.6
Software	0.1	7.9	6.7	5.5
TOTAL	50.2	48.2	34.2	12.4

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

Types of equipment include indoor radar test range, turret lathe, brake machines, artwork scanners, excavators, shearing machines, graders, forklifts, testers, welders, and relocation of a whirltower which will improve efficiency, increase capacity and replace unsafe assets to maintain and meet environmental standards.

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Depot Maintenance

Revenue and Expenses
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
Revenue				
Gross Sales:	1,462.4	1,424.6	1,454.5	1,454.1
Operations	1,496.1	1,408.7	1,425.1	1,425.9
Capital Surcharge	16.5	17.0	21.6	17.0
Depreciation excluding Major Construction	40.0	38.0	40.3	44.0
Other Income	90.2	39.1	32.5	32.8
Total Income:	1,552.6	1,463.7	1,487.0	1,486.9
Expenses				
Salaries and Wages:	696.4	691.9	665.4	656.8
Military Personnel Compensation & Benefits	4.7	5.3	4.8	4.9
Civilian Personnel Compensation & Benefits	691.7	686.6	660.7	652.0
Travel & Transportation of Personnel	13.6	19.7	19.3	19.5
Materials & Supplies (For Internal Operations)	454.9	435.1	433.9	427.8
Equipment	13.9	18.6	18.8	19.6
Other Purchases from Revolving Funds	28.2	52.9	43.0	44.8
Transportation of Things	12.4	11.2	15.1	21.4
Depreciation - Capital	40.0	38.0	40.3	44.0
Printing and Reproduction	1.9	2.3	2.4	2.0
Advisory and Assistance Services	2.5	5.8	3.8	3.7
Rent, Communication, Utilities, & Misc. Charges	27.1	25.2	24.5	23.6
Other Purchased Services	240.8	190.8	182.7	206.4
Total Expenses:	1,531.7	1,491.6	1,449.3	1,469.5
Operating Result	20.9	(27.9)	37.7	17.4
Less Capital Surcharge Reservation	16.5	17.0	20.6	17.0
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR:	26.2	(26.2)	1.2	(0.4)
Net Change in WIP	(26.2)	26.2	(1.2)	0.4
Net Operating Result	30.7	(71.1)	18.3	0.0
Prior Year AOR	22.2	52.9	(18.3)	0.0
Accumulated Operating Result	52.9	(18.3)	0.0	0.0

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Depot Maintenance

Source of Revenue		<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
1.	New Orders				
a.	Orders from DoD Components:				
	Department of Army				
	Operations & Maintenance, Army	594.6	518.7	476.7	472.8
	Operations & Maintenance, ARNG	4.7	36.1	52.5	96.2
	Operations & Maintenance, AR	1.5	20.7	25.9	20.1
	Subtotal, O&M:	600.9	575.5	555.1	589.1
	Aircraft Procurement	20.0	1.9	6.9	8.6
	Missile Procurement	32.5	0.4	0.5	0.4
	Weapons & Tracked Combat Vehicles	53.8	32.9	58.3	42.4
	Procurement of Ammunition	24.3	16.0	17.6	17.3
	Other Procurement	31.1	16.6	23.7	24.1
	Subtotal, Procurement:	161.7	67.8	107.0	92.8
	RDTE	4.2	1.1	1.1	0.5
	BRAC	7.6	42.3	26.2	41.5
	Family Housing		1.2	1.2	1.3
	Military Construction	0.0	0.0	0.0	0.0
	Other	(1.2)	15.9	0.9	0.9
	Subtotal, Department of Army:	773.1	703.8	691.6	726.0
	Department of Air Force O&M	8.2	16.7	8.4	10.2
	Department of Navy O&M	33.3	40.0	119.6	89.6
	US Marines O&M	50.6	38.6	44.5	44.9
	Department of Defense O&M	20.1	30.0	15.0	10.3
	Subtotal, Other DoD Services:	112.2	125.3	187.5	155.0
	Other DoD Agencies:	3.1	12.8	14.1	12.5
	Other DoD Agencies	2.7	12.6	13.9	12.4
	CAWCF	0.4	0.2	0.2	0.2

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Depot Maintenance

Source of Revenue (\$ in Millions)		FY 1996	FY 1997	FY 1998	FY 1999
b. DWCF:					
Depot Maintenance, Army		(35.4)	59.5	36.3	37.9
Supply Management, Army		313.5	335.5	343.9	346.9
Other DWCF:		87.4	75.1	80.4	82.8
DFAS		3.1	3.4	3.4	3.4
DLA		29.8	39.6	30.3	37.3
Info Services		28.2	13.8	16.1	16.9
Other DWCF		29.4	18.6	30.6	25.3
	Subtotal, DWCF:	365.5	470.2	460.6	467.7
c. Total DoD		1,253.9	1,312.1	1,353.6	1,361.2
d. Other Orders:		49.2	85.3	46.4	47.8
Foreign Military Sales		46.6	78.4	39.4	40.1
Non-Federal Agencies		2.6	6.9	7.0	7.7
	Total New Orders:	1,303.1	1,397.4	1,400.0	1,409.0
2. Carry-in Orders		1,090.0	840.5	774.2	687.2
3. Total Gross Orders		2,393.1	2,237.9	2,174.2	2,096.2
4. Funded Carry-over		840.5	774.2	687.2	609.3
5. Total Gross Sales		1,552.6	1,463.7	1,487.0	1,486.9
6. Number of months Carry-over		3.6	3.4	2.6	2.0

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Depot Maintenance

Changes in Costs of Operation

		<u>Expenses</u>
FY 1996	Actual Cost	1,531.7
FY 1997	Estimate in President's Budget	1,601.7
Estimated Impact in FY 1997 of Actual FY 1996 Actuals		(86.5)
Civilian Reductions/Workload Reductions		(59.5)
Depreciation		(2.6)
Materials/Supplies		(21.2)
Leases		(0.9)
Utilities		(2.3)
Pricing Adjustments		
Annualization of Prior Year Pay Raises		
FY 1998 Pay Raise		
Civilian Personnel		
Military Personnel		
Fund Price Changes		
General Purchase Inflation		
Program Changes		(23.6)
Workload reductions at Tobyhanna/Anniston		(21.1)
Additional civilian reductions		(36.4)
BRAC Costs		33.9
FY 1997	Current Estimate	1,491.6
Pricing Adjustments		52.5
Annualization of Prior Year Pay Raises		4.9
FY 1999 Pay Raise		13.9
Civilian Personnel		13.7
Military Personnel		0.1
DCWF Price Changes		27.9
General Purchase Inflation		5.8
Productivity Initiatives and Other Efficiencies		(13.6)

Program Changes		(81.2)
Civilian Personnel Reductions/Reduced Workload	(28.2)	
Transfer of Pueblo and Umatilla	(16.9)	
Transfer of Tooele	(8.1)	
Reduced Material Requirements	(19.9)	
Reduction to BRAC FY 1997 One-Time Costs	(10.3)	
Depreciation	2.3	
FY 1998 Estimated Cost		1,449.3
Pricing Adjustments		19.1
Annualization of Prior Year Pay Raises	4.5	
FY 1999 Pay Raise	9.7	
Civilian Personnel	9.6	
Military Personnel	0.1	
DCWF Price Changes	(0.7)	
General Purchase Inflation	5.6	
Productivity Initiatives and Other Efficiencies		(2.2)
Program Changes		3.3
Civilian Personnel Reductions/Reduced Workload	(23.3)	
BRAC Costs	22.9	
Depreciation	3.7	
FY 1999 Estimated Cost		1,469.5

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Ordnance**

FUNCTIONAL DESCRIPTION

The Ordnance activities are managed by the US Army Industrial Operations Command (IOC) located at Rock Island, Illinois. The mission of the IOC (which manages both the Army Depot Maintenance and the Army Ordnance activity groups) is to build a viable world-class industrial infrastructure to produce quality munitions and large caliber weapons while providing the full range of maintenance of ammunition for American and allied services. IOC is a major subordinate command of the US Army Materiel Command.

This activity group manufactures, renovates, and demilitarizes materiel for all branches of DoD. Specifically, it manufactures and sells 155MM howitzers, 120MM M256 tubes, 120MM smoke mortars, gun mounts for the M1A1 Abrams tank, grenades and smoke rounds, rebuilt gas masks, tool sets and kits and demilitarized munitions. It also provides depot operations, depot maintenance, set assembly, tenant support, and national procurement services for thin and thick walled cannons. It is responsible for logistics support management, including follow-on procurement, production, maintenance, engineering and integrated logistics support management. It also furnishes engineering services in support of production, industrial management, value engineering, configuration management, international logistics, tools and equipment engineering, product assurance, transportation and traffic management for assigned systems and materials.

Customers of this activity group include Army, the Conventional Ammunition Working Capital Fund, Foreign Military customers, Navy and other uniformed services.

ACTIVITY GROUP COMPOSITION

Ordnance consists of the following of five installations:

Pine Bluff Arsenal
Rock Island Arsenal
Watervliet Arsenal
Crane Army Ammunition Activity
McAlester Army Ammunition Plant

Pine Bluff, Arkansas
Rock Island, Illinois
Watervliet, New York
Crane, Indiana
McAlester, Oklahoma

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Ordnance

The budget reflects the depot tiering concept, which was developed to support reduction of the current CONUS infrastructure and management of a smaller, safer stockpile. Ordnance installations Crane Army Ammunition Activity and McAlester Army Ammunition Plant are Tier I facilities. These sites serve as the active core of the ammunition storage and distribution system. They store, receive and issue training ammunition and war reserves to meet critical ammunition needs in the first 30 days of a conflict.

BUDGET HIGHLIGHTS

Personnel:

	FY 1996	FY 1997	FY 1998	FY 1999
Civilian End Strength	5,210	5,124	4,962	4,831
Civilian FTEs	5,377	5,213	4,982	4,831
Military End Strength	23	23	23	23
Military Workyears	25	23	23	23

The budget displays an overall downward trend in manpower levels consistent with current workload projections. Reduced manpower levels will be achieved through continued VERA/VSIP and hiring freezes. Civilian end strength decreases by 3.1% from FY 1996 to end of FY 1999 as we align the work force to the decreasing workload.

Costs, Operating Results (OR), and Rates:

	FY 1996	FY 1997	FY 1998	FY 1999
Cost of Goods\Svcs Produced (\$M)	511.7	494.3	488.4	486.9
Cost of Goods Sold (\$M)	505.5	530.7	510.5	497.5
Net Operating Results (\$M)	33.5	(20.4)	(22.1)	(0.0)
Accumulated Operating Results (\$M)	42.5	22.1	0.0	0.0
Customer Rate per DLH	\$84.78	\$88.93	\$81.72	\$88.64
Percent Rate Change from Prior Year	(14.1%)	4.9%	(8.1%)	8.5%
Unit Costs (\$/DLH)	\$96.89	\$96.95	\$97.95	\$98.52
DLH (000)	5,635	5,474	5,212	5,050

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Ordnance**

Costs.

Programmatically, costs of goods produced decrease approximately 10.9% from FY 1996 to the end of FY 1999. Decreased costs result from declining workload and are primarily related to personnel compensation, materials and supplies.

Unit Costs.

Despite decreasing costs overall, reduced total direct labor hours (DLHs) cause unit costs to rise from \$96.89/DLH in FY 1996 to \$98.52/DLH in FY 1999. This occurs primarily as a result of spreading fixed costs over diminished direct labor workload.

Operating Results.

FY 1996 recoverable net operating results were considerably better than estimated in the FY 1997 President's Budget (a gain of \$33.5 million vice a loss of \$3.5 million). Both revenue and costs were lower, primarily as a result of decreasing workload and declining personnel.

Performance Indicators.

This activity group has established performance standards to measure timeliness (96% schedule conformance), quality (95% lot acceptance), and efficiency (2% scrap/rework costs).

Carry-Over.

Carry-over levels drop significantly over the budget years. We have computed the number of months in accordance with OSD policy adopted as a result of the Carry-over Task Force Study. Following are the levels for this activity group:

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Ordnance

(\$M)	FY 1996	FY 1997	FY 1998	FY 1999
Unfilled Orders, beginning of year	474.4	431.8	300.8	166.9
New Orders	488.7	379.3	354.5	380.4
Gross Orders	963.1	811.1	655.3	547.2
Less Revenue	531.3	510.3	488.4	497.5
Gross Carry-Over	431.8	300.8	166.9	49.7
Less WIP	99.4	63.0	40.9	30.3
Less FMS, BRAC, Non-DoD, Intra- Inter DWCF (excluding SMA)	30.3	31.9	3.4	3.5
Less Contract Liabilities				
Net Carry-Over	302.1	205.9	122.5	15.9
Carry-Over in Months	6.8	4.8	3.0	0.4

Capital Budget Program.

The capital budget for this activity group is as follows:

(\$M)	FY 1996	FY 1997	FY 1998	FY 1999
Equipment	8.4	15.1	14.3	8.4
ADPE & Telecommunications	4.5	0.3	1.1	0.7
Minor Construction	2.5	2.1	2.9	2.0
TOTAL	15.4	17.5	18.3	11.1

Types of equipment includes lathes, rail service material handler, recondition scrubber blowers, turret lathes, finisher rotational parts and jig grinders which will improve efficiency, increase capacity, and replace unsafe or inoperative/unusable assets. Examples of automated data processing equipment scheduled for replacement include LANs, servers, and printers which will increase production and reduce maintenance costs.

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Ordnance

Revenue and Expenses
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
Revenue				
Gross Sales:	\$457.5	\$486.2	\$451.4	\$460.5
Operations	\$443.8	\$469.3	\$433.9	\$443.1
Depreciation excluding Major Construction	\$13.7	\$16.9	\$17.5	\$17.4
Other Income	\$73.8	\$24.1	\$37.0	\$37.0
Total Income:	\$531.3	\$510.3	\$488.4	\$497.5
Expenses				
Salaries and Wages:	\$261.2	\$248.6	\$246.6	\$243.7
Military Personnel Compensation & Benefits	\$1.5	\$1.4	\$1.4	\$1.5
Civilian Personnel Compensation & Benefits	\$259.6	\$247.2	\$245.2	\$242.2
Travel & Transportation of Personnel	\$3.5	\$3.9	\$3.7	\$3.6
Materials & Supplies (For Internal Operations)	\$102.1	\$91.2	\$91.8	\$92.3
Equipment	\$15.2	\$14.8	\$14.5	\$14.7
Other Purchases from Revolving Funds	\$30.9	\$31.8	\$32.6	\$32.6
Transportation of Things	\$0.7	\$0.6	\$0.6	\$0.6
Depreciation - Capital	\$13.7	\$16.9	\$17.5	\$17.4
Printing and Reproduction	\$0.1	\$0.7	\$0.7	\$0.7
Advisory and Assistance Services				
Rent, Communication, Utilities, & Misc. Charges	\$14.9	\$16.8	\$17.3	\$17.3
Other Purchased Services	\$69.4	\$68.9	\$63.0	\$64.0
Total Expenses:	\$511.7	\$494.3	\$488.4	\$486.9
Operating Result	\$19.6	\$16.0	(\$0.0)	\$10.6
Other Changes Affecting NOR:	\$13.9	(\$36.4)	(\$22.1)	(\$10.6)
Other Inventory Adjustments	\$7.8			
Net Change in WIP	(\$6.1)	\$36.4	\$22.1	\$10.6
Net Operating Result	\$33.5	(\$20.4)	(\$22.1)	(\$0.0)
Prior Year AOR	\$9.0	\$42.5	\$22.1	\$0.0
Accumulated Operating Result	\$42.5	\$22.1	\$0.0	\$0.0

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Ordnance

Source of Revenue
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
1. New Orders				
a. Orders from DoD Components:				
Department of Army				
Operations & Maintenance, Army	\$194.1	\$145.5	\$146.8	\$146.1
Operations & Maintenance, ARNG	\$0.0			
Operations & Maintenance, AR	\$0.8			
Subtotal, O&M:	\$195.0	\$145.5	\$146.8	\$146.1
Aircraft Procurement	\$7.4			
Missile Procurement	\$0.4			
Weapons & Tracked Combat Vehicles	\$49.7	\$45.7	\$40.8	\$37.5
Procurement of Ammunition	\$74.0	\$67.2	\$50.5	\$44.7
Other Procurement	\$13.0	\$3.3		
Subtotal, Procurement:	\$144.4	\$116.2	\$91.3	\$82.1
RDTE	\$15.1	\$11.7	\$13.6	\$11.1
Family Housing	\$1.3	\$1.2	\$1.2	\$1.2
Military Construction	\$0.9			
Other	\$5.8	\$0.0	\$0.0	\$0.0
Subtotal, Department of Army:	\$362.7	\$274.7	\$252.9	\$240.6
Department of Air Force O&M	\$2.2	\$2.4		
Department of Navy O&M	\$4.2	\$8.0	\$19.8	\$24.3
US Marines O&M	\$0.7	\$3.2	\$3.1	\$1.1
Department of Defense O&M	\$11.1	\$1.3	\$0.9	\$1.3
Subtotal, Other DoD Services:	\$18.2	\$14.9	\$23.8	\$26.7
Other DoD Agencies:	\$32.3	\$12.8	\$15.1	\$38.1
Other DoD Agencies	\$1.6	\$0.0	\$0.0	\$38.1
CAWCF	\$30.7	\$12.7	\$15.0	

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Ordnance

Source of Revenue (\$ in Millions)		FY 1996	FY 1997	FY 1998	FY 1999
b. DWCF:					
Depot Maintenance, Army		\$5.2	\$4.4	\$2.1	\$0.4
Supply Management, Army		\$38.6	\$39.6	\$37.5	\$35.3
Other DWCF:		\$14.5	\$4.3	\$4.0	\$4.5
DECA			\$0.8		
DFAS		\$2.6	\$1.9	\$1.9	\$2.0
DLA		\$0.1			
Other		\$11.9	\$1.6	\$2.1	\$2.5
	Subtotal DWCF:	\$58.2	\$48.4	\$43.6	\$40.2
c. Total DoD		\$471.4	\$350.7	\$335.4	\$345.6
d. Other Orders:					
Other Federal Agencies		\$17.3	\$28.5	\$19.0	\$34.8
Foreign Military Sales		\$1.5	\$0.3	\$0.8	\$0.8
Nonappropriated		\$12.2	\$21.1	\$18.1	\$33.7
Non-Federal Agencies		\$0.4	\$6.4	\$0.0	\$0.0
	Total New Orders:	\$488.7	\$379.3	\$354.5	\$380.4
2. Carry-in Orders		\$474.4	\$431.8	\$300.8	\$166.9
3. Total Gross Orders		\$963.1	\$811.1	\$655.3	\$547.2
4. Funded Carry-over		\$431.8	\$300.8	\$166.9	\$49.7
5. Total Gross Sales		\$531.3	\$510.3	\$488.4	\$497.5
6. Number of months Carry-over		\$6.8	\$4.8	\$3.0	\$0.4

**Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Ordnance**

**Changes in the Costs of Operation
(\$ in Millions)**

	Expenses
FY 1996 Actual Cost	\$511.7
FY 1997 Estimate in President's Budget	\$513.6
Estimated Impact in FY 1997 of Actual FY 1996 Actions	(\$4.6)
Civilian/Military Personnel	(\$10.8)
Travel	(\$1.4)
Purchases Utilities	\$1.9
Materials/Supplies/Equipment	(\$2.8)
Increased DFAS costs	\$1.8
Other	\$6.8
Program Changes	(\$14.8)
Additional Personnel Reductions	(\$19.6)
Materials\Supplies\Equipment	\$12.4
Depreciation	(\$2.6)
Other	(\$5.0)
FY 1997 Current Estimate	\$494.3
Pricing Adjustments	\$11.8
Annualization of Prior Year Pay Raises	\$1.8
FY 1998 Pay Raise	\$5.0
Civilian Personnel	\$5.0
Military Personnel	\$0.0
DWCF Price Changes	\$1.4
General Purchase Inflation	\$3.6
Productivity Initiatives and Other Efficiencies	(\$2.9)
Program Changes	(\$14.8)
Depreciation	\$0.6
Civilian Personnel Costs	(\$8.7)
Reduced Material Requirements	(\$1.8)
Facility Maintenance Contracts	(\$2.8)
Increased DISA costs as a result of redistribution between Information Systems Command and Army Material Command	\$1.4
Other	(\$3.5)
FY 1998 Estimated Cost	\$488.4

Army Working Capital Fund
FY1998/1999 Biennial Budget Estimates
Ordnance

Changes in the Costs of Operation
(\$ in Millions)

	<u>Expenses</u>
FY 1998 Current Estimate	\$488.4
Pricing Adjustments	
Annualization of Prior Year Pay Raises	\$8.8
FY 1999 Pay Raise	\$1.6
Civilian Personnel	\$3.5
Military Personnel	\$0.0
DWCF Price Changes	\$0.2
General Purchase Inflation	\$3.5
Program Changes	(\$10.4)
Materials & Supplies	(\$1.3)
Travel	(\$0.1)
Facility Maintenance by Contract	(\$0.2)
Civilian Personnel Operating Center (CPOC) Contracts	\$1.1
CPOC civilian conversion reductions	(\$0.7)
Civilian Personnel Costs	(\$8.5)
Other	(\$0.7)
FY 1999 Estimated Cost	\$486.9

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services**

FUNCTIONAL DESCRIPTION

The primary mission of this activity group is to provide for the development and operational sustainment of automated information and communication systems for specified customers. This mission covers a broad range of services such as requirements analysis and definition, system design, development, testing, integration, implementation support, and documentation services. Beginning in FY 1998, this activity group will also provide customers with fully competed commercial sources for purchase of small and medium computers, hardware, software, and support services.

ACTIVITY GROUP COMPOSITION

Information Services, Army consists of the following centers:

Industrial Logistics Support Center (ILSC)	Chambersburg, PA
Logistics Systems Support Center (LSSC)	St. Louis, MO
Software Development Center-Lee (SDC-Lee)	Fort Lee, VA
Software Development Center-Washington (SDC-Wash)	Fairfax, VA
US Army Information Systems Management Activity	Fort Monmouth, NJ
Small Computer Program (SCP)	

The US Army Materiel Command (AMC), located in Alexandria, VA, exercises management control over this activity group. Three major subordinate commands currently provide additional oversight. They are the Industrial Operations Command (IOC) at Rock Island, IL, the Missile Command (MICOM) at Huntsville, AL and the Communications and Electronics Command (CECOM) at Fort Monmouth, NJ. By FY 1998, CECOM will be the only major subordinate command providing additional oversight.

ILSC, LSSC, SDC-Lee and SDC-Wash are known as Central Design Activities (CDAs). Army CDAs have been part of this activity group since FY 1996. The SCP, which joins this activity group effective FY 1998, will provide customers with fully competed commercial sources for purchase of small and medium computers, hardware, software, and support services.

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services**

SDC-Wash is scheduled to relocate from leased space in Fairfax, VA to Fort Meade, MD in FY 1998. ILSC will not relocate from Chambersburg, PA to Rock Island, IL as previously planned based on a reinterpretation of BRAC guidance.

BUDGET HIGHLIGHTS

The CDAs began operating under the full Defense Working Capital Fund (DWCF) concept beginning in FY 1997 -- meaning customers pay a stabilized rate designed to recover total activity group costs.

Army and Air Force CDAs have been working closely with the Defense Finance and Accounting Service (DFAS) to install an interim migratory cost accounting system, known as the Industrial Fund Accounting System (IFAS), for use by this activity group. This system should be fully operational in FY 1997. Lack of a cost accounting system in the current environment has made developing budget documents, monitoring execution and managing cash extremely difficult.

Costs and revenues increase during FY 1998/1999 based on increasing workload and inclusion of a new activity, the SCP, in the business area.

Personnel:

	FY 1996	FY 1997	FY 1998	FY 1999
Civilian End Strength	1001	969	983	983
Civilian FTEs	1042	989	992	992
Military End Strength	172	267	219	216
Military Workyears	218	258	219	216

Civilian manpower increases in FY 1996 and FY 1997 over levels in the FY 1997 President's Budget by approximately 10% and 14% respectively. These increases are attributed to additional workload as well as to the canceled ILSC move. Civilian manpower decreases from FY 1996 to FY 1997 based on removal of SDC-Huachuca from the DWCF. Civilian manpower increases from FY 1997 to FY 1998/1999 based on inclusion of the SCP.

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services**

FY 1996 military manpower is 43% lower than displayed in last year's submission due to inaccuracies in previous manpower reporting. Estimates for FY 1997 remain at previously reported levels. The decrease in military manpower from FY 1997 to FY 1998/1999 represents increased reliance on contractor labor. Approximately 36% of workload is scheduled to be contracted out during FY 1998/1999.

Costs, Operating Results (OR), and Rates:

	FY 1996	FY 1997	FY 1998	FY 1999
Costs of Goods/Svcs Produced (\$M)	150.9	146.8	165.3	159.4
Net Operating Results (\$M)	1.5	1.7	(3.2)	0.0
Accumulated Operating Results (\$M)	1.5	3.2	0.0	0.0
Customer Revenue Rate per DLH	n/a	\$64.89	\$ 62.56	\$ 65.41
Percent Rate Change from Prior Year	n/a	n/a	(3.6%)	4.5%
Unit Costs (\$/DLH)	\$54.27	\$66.54	\$67.59	\$59.31
DLH (000)	1,559	1,526	1,488	1,600

Costs.

FY 1996 execution was 13% lower than previous estimates. Without a cost accounting system, this activity group was forced to rely upon two appropriated fund accounting systems which were not designed to properly accrue revenues or expenses. Costs are projected to increase in FY 1997 over the previous submission by approximately 7% to compensate for the canceled ILSC move. This center is operating at full strength. The increase in costs from FY 1997 to FY 1998/1999 reflects inclusion of the Small Computer Program activity and increased workload.

Unit Costs.

Unit costs fluctuate based on several factors. In FY 1996, centers were not responsible for covering the cost of all overhead expenses. As a result, unit costs were low. Unit costs are expected to increase in FY 1997/1998 but will decrease again in FY 1999 as centers devote more labor to direct rather than overhead functions.

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services

Operating Results.

The DWCF operates on a break-even basis over the long term. Annual revenue rates are established to achieve positive or negative results so Accumulated Operating Results balance to zero in the budget year. This activity group experienced a positive operating result of \$1.5 million in FY 1996. A positive operating result of \$1.7 million is anticipated in FY 1997.

Performance Indicators.

No performance indicators have been developed at this time.

Carry-Over.

(\$M)	FY 1996	FY 1997	FY 1998	FY 1999
Unfilled Orders, Beginning of Year		39.4	42.1	43.3
New Orders	191.8	151.2	163.3	161.1
Gross Orders	191.8	190.6	205.4	204.5
Less Revenue	152.4	148.5	162.1	159.4
Gross Carry-Over	39.4	42.1	43.3	45.1
Less WIP	12.7	12.7	12.7	12.7
Less FMS, BRAC, Non-DoD, Intra- Inter DCWF (excluding SMA)	9.4	5.1	4.5	4.8
Less Contract Liabilities				
Net Carry-Over	17.3	24.3	26.1	27.6
Carry-Over in Months	1.4	2.0	1.9	2.1

Capital Budget.

The capital budget includes \$0.3 million in FY 1998 and \$0.3 million in FY 1999 to extend a Local Area Network (LAN) throughout SDC-Lee. LAN extension will allow efficient information exchange as well as a state-of-the-art platform on which to develop and test software.

(\$M)	FY 1996	FY 1997	FY 1998	FY 1999
ADPE & Telecommunications (\$M)	0.0	0.0	0.3	0.3

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services

Revenue and Expenses
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
Revenue				
Gross Sales:	152.4	148.5	162.1	159.4
Operations	152.4	148.0	161.6	159.1
Depreciation excluding Major Construction	0.5	0.5	0.3	
Total Income:	152.4	148.5	162.1	159.4
Expenses				
Salaries and Wages:	71.4	69.9	70.6	71.7
Military Personnel Compensation & Benefits	10.0	8.6	7.7	7.6
Civilian Personnel Compensation & Benefits	61.4	61.3	62.9	64.0
Travel & Transportation of Personnel	2.3	2.5	2.8	2.6
Materials & Supplies (For Internal Operations)	1.5	2.5	3.3	3.3
Equipment	0.5	0.5	0.5	0.5
Other Purchases from Revolving Funds	2.3	5.4	7.2	6.0
Transportation of Things	0.0	0.1	0.1	0.1
Depreciation - Capital	0.5	0.5	0.5	0.3
Printing and Reproduction	0.4	0.7	0.1	0.1
Advisory and Assistance Services	0.2	1.0	0.4	0.5
Rent, Communication, Utilities, & Misc. Charges	2.7	6.9	6.9	5.0
Other Purchased Services	70.1	56.9	73.0	69.5
Total Expenses:	150.9	146.8	165.3	159.4
Operating Result	1.5	1.7	(3.2)	0.0
Other Changes Affecting NOR:			(0.0)	(0.0)
Net Change in WIP			0.0	0.0
Net Operating Result	1.5	1.7	(3.2)	0.0
Prior Year AOR			1.5	3.2
Accumulated Operating Result	1.5	3.2	(0.0)	(0.0)

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services

Source of Revenue
(\$ in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999
1. New Orders				
a. Orders from DoD Components:				
Department of Army				
Operations & Maintenance, Army	123.1	108.6	117.1	121.1
Operations & Maintenance, ARNG	2.2		0.1	0.1
Subtotal, O&M:	125.3	108.6	117.2	121.2
RDTE	2.0			
BRAC		4.1	1.9	
Family Housing	3.1	2.7	3.1	3.1
Subtotal, Department of Army:	130.4	115.4	122.1	124.3
Department of Air Force O&M	0.7		0.1	0.1
Department of Navy O&M	1.4		0.0	0.0
Department of Defense O&M			1.2	1.2
Subtotal, Other DoD Services:	2.0		1.3	1.3
Other DoD Agencies:		0.1	0.1	0.1
Other DoD Agencies				0.1
CAWCF		0.1	0.1	
b. DWCF:				
Depot Maintenance, Army	2.3	4.0	2.2	2.0
Supply Management, Army	10.6	12.7	18.1	15.3
Other DWCF:	35.5	17.5	17.4	16.1
DECA	2.1	0.0	0.0	0.0
DFAS	21.1	14.7	16.0	14.6
DISA	2.8	0.1	0.1	0.1
DLA	0.0			
Info Services	0.1			
JLSC	5.4	2.6	1.3	1.4
TRANSCOM	3.9			
Subtotal, DWCF:	48.4	34.2	37.8	33.5
c. Total DoD	180.8	149.7	161.3	159.1

Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services

Source of Revenue
(\$ in Millions)

		FY 1996	FY 1997	FY 1998	FY 1999
d. Other Orders:		11.0	1.5	2.0	2.0
Other Federal Agencies		9.3		0.6	0.6
Foreign Military Sales		1.7	1.5	1.4	1.4
	Total New Orders:	191.8	151.2	163.3	161.1
2. Carry-in Orders			39.4	42.1	43.3
3. Total Gross Orders		191.8	190.6	205.4	204.5
4. Funded Carry-over		39.4	42.1	43.3	45.1
5. Total Gross Sales		152.4	148.5	162.1	159.4
6. Number of Months of Carry-Over		1.4	2.0	1.9	2.1

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services**

**Changes in Costs of Operations
(\$ in Millions)**

	<u>Expenses</u>
FY 1996 Actual Cost	150.9
FY 1997 Estimate in President's Budget	137.7
Pricing Adjustments	(1.0)
Program Changes	10.1
Civilian Pay related to Restoral of BRAC-Related Workyears and Increased Workload	8.6
Increased DISA Costs	2.6
Increased DFAS Costs	0.5
Decreased Information Processing Center Costs	(1.0)
Contract Professional and Management Support Services	(0.3)
Other Costs	(0.3)
FY 1997 Current Estimate	146.8
Pricing Adjustments	2.7
Annualization of Prior Year Pay Raises	0.5
FY 1999 Pay Raise	1.5
Civilian Personnel	1.3
Military Personnel	0.2
DWCF Price Changes	(0.6)
General Purchase Inflation	1.4
Productivity Initiatives and Other Efficiencies	(1.0)
Conversion of Publications from Hardcopy to Electronic Media	(0.6)
Reduced Floor Space Occupancy in a Leased Facility	(0.4)
Program Changes	16.8
Inclusion of the Army Small Computer Program	4.6
Civilian Pay Decrease	(1.4)
Military Pay Adjustment	(1.3)
Increased Contractor Effort	13.9
Other Costs	0.9
FY1998 Estimated Cost	165.3

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Information Services**

**Changes in Costs of Operations
(\$ in Millions)**

	<u>Expenses</u>
FY1998 Estimated Cost	165.3
Pricing Adjustments	2.7
Annualization of Prior Year Pay Raises	0.4
FY 1999 Pay Raise	1.1
Civilian Personnel	0.9
Military Personnel	0.2
DWCF Price Changes	(0.6)
General Purchase Inflation	1.7
Productivity Initiatives and Other Efficiencies	(0.3)
Reduced Floor Space Occupancy in a Leased Facility	(0.3)
Program Changes	(8.3)
Elimination of SDC-Wash Lease Cost	(2.1)
Decreased Contractor Effort	(1.6)
Other Costs	(4.6)
FY1999 Estimated Cost	159.4

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CAPITAL BUDGET

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Activity Group Capital Investment Summary
Supply Management, Army

(\$ in Millions)

Line No.	Description	FY 96		FY 97		FY 98		FY 99	
		Quantity	Total Cost						
	EQUIPMENT-Replacement								
96-2	Product Projection Equipment Replacement	167	0.470						
96-3	Material Management Equipment Replacement	318	1.230						
96-4	Logistics & Maintenance Equipment Replacement	39	0.195						
96-6	Kearney & Trecker Machining Center	1	0.107						
98-13	Various Other Equipment <\$500K			1	0.134	1	0.358		
	SUBTOTAL	525	2.002	1	0.134	1	0.358		
	EQUIPMENT TOTAL	525	2.002	1	0.134	1	0.358		
	AUTOMATED DATA PROCESSING								
96-1	Mini-Computer System	1	0.297						
	Scientific Engineering Computer Replacement	1	0.744						
	Misc ADP <\$500,000			160	1.349				
	Network Upgrade/Replacement					700	1.358		
	Logistics and Readiness Ctr Network Hubs					22	0.880		
	Logistics and Readiness Ctr PCs and Printers					150	0.496		
	ADP TOTAL	2	1.041	160	1.349	872	2.734	150	0.496
	SOFTWARE								
96-19	Fund Availability Multi Method Allocation for Spares	0.379							
96-20	Common User Interface			4.933					
97-6	Single Stock Fund (SSF)	1.999		5.000		5.968		5.313	
97-7	Data Standardization	2.056							
96-20	Materiel Mgt Standard System (MMESS)	11.844		15.000		4.720		1.460	
97-4	Conversion of MILSTEP			0.489					
98-15	Vision 2010			8.623		9.015			
98-1	CCSSS Century Date Change	1.436		3.314		2.972		2.854	

Activity Group Capital Investment Summary Supply Management, Army									
Line No.	Description	FY 96			FY 97			FY 98	
		Quantity	Total Cost						
98-2	LOGSA Century Date Change				0.760			1.678	0.746
98-3	Integrated Sustainment Maint (ISM)							5.390	3.995
98-4	Remote Site Processing							0.131	
98-6	On Net Transfer Protocol							1.055	
98-9	Lateral Redistribution							1.000	1.500
98-14	Common Operating Environment (COE)							4.737	
98-10	CCSS Defense Logistics Mgt Systems							1.640	
98-12	Single Item Inventory Record (SIIR)							1	1.000
98-11	LOGSA Defense Logistics Mgt Systems								
	SOFTWARE TOTAL	17.714	44.086			1	1.750	1	16.868
	Supply Management, Army	527	20.757	161	45.569	875	43.148	151	17.364

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Supply Management, Army**

**Capital Budget Execution
(\$in Millions)**

PROJECTS ON THE FY 1997 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Approved Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency
<u>EQUIPMENT</u>						
<u>-Replacement</u>						
96	Product Projection Equipment Replacement	0.493	(0.023)	0.470	0.470	
96	Material Management Equipment Replacement	1.230		1.230	1.230	
96	Logistics & Maintenance Equipment Replacement	0.195		0.195	0.195	
96	Kearney & Trecker Machining Center	0.150		0.150	0.107	(0.043)
97	Various Other Equipment (<\$500,000)		0.134	0.134	0.134	
<u>AUTOMATED DATA PROCESSING</u>						
96	Mini-Computer System	0.300		0.300	0.297	(0.003)
96	Data Servers	0.755	(0.755)			
96	Scientific & Engineering Computer System		0.746	0.746	0.744	(0.002)
97	Miscellaneous ADP (<\$500,000)	1.483	(0.134)	1.349	1.349	(0.000)
<u>SOFTWARE</u>						
96	Funding/Availability/Multi Method Allocations for Spares	0.400		0.400	0.379	(0.021)
96	Joint Logistics Systems Center	12.000	(0.001)	11.999	11.844	(0.155)
96	Central Asset Management (see Note 1)		2.000	2.000	1.999	(0.001)
96	Century Date Change - CCSS			1.436	1.436	
96	Data Standardization			2.056	2.056	
97	Joint Logistics Systems Center	15.000		15.000	15.000	
97	Common User Interface	4.933		4.933	4.933	
97	Conversion of MILSTEP	0.489		0.489	0.489	
97	Central Asset Management	5.000		5.000	5.000	
97	Century Date Change - CCSS			3.314	3.314	
97	Century Date Change - LOGSA			0.760	0.760	
97	Common Operating Environment			5.967	5.967	
97	Vision 2010			8.623	8.623	
	FY 1996 Program	15.523	1.967	20.982	20.757	(0.225)
	FY 1997 Program	26.905		45.569	45.569	(0.000)

Note1: Reprogrammed from Depot Maintenance-Other

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION						
EQUIPMENT-Replacement (\$ in Thousands)						
B. Component, Activity Group, Date		C. Line No		Item Description		
Supply Management, Army		98-13		Various Other Equipment <\$500K		
Element of Cost	Quantity	FY 96	FY 97	FY 98	FY 98	FY 99
Other Equipment <\$500K				1	134	134
TOTAL				1	134	134

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** This represents various modernization/replacement equipment that costs <\$500K, which will improve efficiency through replacement, modification, or addition of production and maintenance capability and compliance with regulatory requirements. Includes the acquisition and installation of capital investment items valued between \$100,000 and \$500,000 with a useful life of two years or more.

b. **ANTICIPATED BENEFITS:** Modernization will allow more effective and efficient use of manpower. Benefits include spare parts cost and schedule reductions and an increase in quality products, improved readiness (parts availability) and reduction of waste/scrap.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Cost of critical out-of-supply AWCF items will remain high. There will be an increased risk of supply parts shortages for some weapons systems because the contractor can no longer support them.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project

\$358K (FY98)

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
AUTOMATED DATA PROCESSING
(\$ in Thousands)**

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING (\$ in Thousands)						
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-5			D. Activity Identification CECOM
FY 96		Quantity	Unit Cost	Total Cost	Quantity	Item Description Network Upgrade/Replacement
Element of Cost						FY 98
Network Upgrade					600	Quantity
100 Pentium PCs					100	Unit Cost
Maintenance					700	Total Cost
TOTAL					700	7
					708	FY 99
					650	Quantity
					8	Unit Cost
					1,358	Total Cost

Narrative justification:

ECONOMIC INDICATORS:	Total Cost of the Project	Net Present Value of Benefits:	\$33,210K	Payback Period:	2.2 Months	Benefit to Investment Ratio:	2.9
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Acquisition Center Network is made up of four shared ethernet segments, each of which supports over 125 users. Diagnostics done on this network indicate that it is quickly reaching the saturation point, as network applications are being increased and users become more dependent on the viability of the network. The Communication and Electronics Command (CECOM) acquisition mission is also dependent on the network for connectivity to its contracting system.</p> <p>b. ANTICIPATED BENEFITS: The upgrade will allow the network to remain viable as a critical part of the Acquisition Center's automation capability. It will make it possible to continue to improve productivity through the use of newer and better network applications. It will also allow for the implementation of Electronic Commerce/Electronic Data Interchange (EC/EDI) to meet the Federal Acquisition Network Standardization Act (FACNET). This will result in a savings in administrative lead time and a savings due to increased competition among vendors of between \$7 and \$11 million in purchase dollars.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without this upgrade, the deployment of Procurement Automated Data and Document System (PADDS) EC/EDI will be inadequate and could deny the CECOM Acquisition Center the ability to become FACNET compliant. Savings of between \$7 and \$11 million dollars each year will not be realized.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING (\$ in Thousands)					A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-7		D. Activity Identification CECOM		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement of Network Hubs						22	40
TOTAL						22	40

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: With the addition of electronic mail, scheduling capabilities, shared files, shared databases, and outside available databases (FEDLOG), the Logistics and Readiness Center (LRC) personnel currently overuse the existing network hubs to transmit data. The increased amount of required mainframe systems mandates higher bandwidth capability to filter and transmit data faster. The present network system is limited to smaller ports which limits the amount and speed of data transmission.

b. ANTICIPATED BENEFITS: The upgraded network switches will provide increased networking capability and bandwidth, enabling better usage of Command-mandated systems (i.e. JCALS, JEDMICS, etc.). This will also allow increased capability to interact and transmit data with other Commands and customers via the Internet.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Personnel will not be able to interact with each other and other activities efficiently using the current network system, and continued use of the existing system will be restricted in its ability to process and correct rejected customer requirements.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:	\$880K	Net Present Value of Benefits:	\$8,829K	Payback Period:	1 year
Total Cost of the Project		Benefit to Investment Ratio:			3.168

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-8				Item Description Logistics and Readiness Ctr PCs and Printers			
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement of Personal Computers and Printers								85	65	4
TOTAL								150	6	496

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The Logistics and Readiness Center (LRC) is in need of replacement of 386 PCs that are not capable of performing required function. Increased mainframe access capability and data interchange are needed to accomplish the duties.

b. **ANTICIPATED BENEFITS:** The upgraded capability is needed to implement Continuous Acquisition and Life Cycle Support Initiatives to interact with the Technical Data/Configuration Management System (TD/CMS), Joint Computer Aided Logistics Systems (JCALS) and Joint Engineering Data Management Information (JEDMICS). These interactions make retrieval of drawings and configuration readily available and enable digital output and transmission of acquisition data directly to the C3I Acquisition Center, thus reducing reliance on paper processes and speeding the processing of Acquisition Requirements Packages (APRs).

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Personnel will not be able to interact with each other and other activities efficiently using the current network systems. Also, personnel will be unable to use JCALS, DRS, TD/CMS, JEDMICS, and the Defense Messaging System (DMS), which will reduce the reliance on paper processes.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	\$496K Total Cost of the Project	Net Present Value of Benefits:	\$6,989K	Payback Period:	1 year
				Benefit to Investment Ratio:	2.570

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION						
SOFTWARE (\$ in Thousands)						
B. Component, Activity Group, Date			C. Line No 97-6			
Supply Management, Army			Item Description Single Stock Fund (SSF)			
Element of Cost	Quantity	FY 96	FY 97	FY 98	FY 99	
Software Development		1,999	1,999	5,000	5,968	5,968
TOTAL		1,999		5,000		5,968
Narrative Justification:						
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army has a horizontal management structure (with three points of sale) because supply and financial operations were decentralized to Army Materiel Command (AMC) for wholesale and to other Major Commands (MACOMs) for retail. The MACOMs have further decentralized retail operations through their installations. Decentralized stock record accounting generates redundant supply inventories and allows retail managers to order supplies the Army doesn't need.</p> <p>b. ANTICIPATED BENEFITS: This initiative results in a cost savings of \$18.2 million. The SSF concept integrates retail and wholesale inventory, management, and financial accounting functions to produce business process improvements and inventory efficiencies. A vertical stock fund for Army managed items will eliminate one point of sale between AMC and the installations. This change will align Army with Navy and Air Force Supply Management structures and will allow global asset management and ownership of Army managed items. Eliminating this point of sale will end duplication of logistical/financial processing, and will support velocity management by reducing order-ship-time while providing greater excess asset visibility for redistribution and procurement offsets. Global asset visibility and ownership of installation inventories will prevent buying what the Army already owns and disposal of what the Army needs, thereby increasing overall Army readiness. With SSF, the wholesale level would gain ownership and visibility of Army installation assets and thus be able to respond more rapidly than the installation for high priority or Non-Mission Capable Supply (NMCS) requisitions.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If funding is not approved, the Army will continue to process in an inefficient horizontal structure which may jeopardize readiness. As downsizing minimizes funding and resources, the redundancies of processing wholesale and retail systems must be minimized. Also, efficiencies must be gained in redistribution of assets.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>						
ECONOMIC INDICATORS:		Payback Period: 10 years		Benefit to Investment Ratio: 13.180		
Total Cost of the Project		\$11,281K (FY98/99)		Net Present Value of Benefits:	\$1.3B	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)		A. Budget Submission FY1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Supply Management, Army		C. Line No 96-20		D. Activity Identification SMA Inventory Control Points	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost
Hardware/Software					
User Level		11,844		15,000	
TOTAL		11,844		15,000	
Narrative Justification:					

Funds are to support fielding of the Materiel Management Standard System (MMSS) being developed by the Joint Logistics Systems Center for the Army Inventory Control Points (ICPs).

The MMSS was created in response to the DoD initiative to standardize logistics systems across DoD. Over the past two years the JLSC, working with the Military Services and the Defense Logistics Agency (DLA), has evaluated the processes of the DoD ICPs and selected the most optimum automated information systems to support improved standard business practices. This project provides for continued development of these systems.

The type and amount of equipment needed is dependent upon the size of each site and the availability and applicability of equipment currently at each site. This requirement is based upon site surveys representative of various size sites. As deployment to a specific site nears, and taking into account acquisition lead times, a final survey will be conducted to confirm requirements. Representative configurations vary in size from those including servers at approximately \$314 thousand per site, to personal computer workstations with 17 or 15 inch displays at \$3.1 to \$2.7 thousand per site, and X-terminal workstations at \$2 thousand per site. This represents a mixture of those configurations dependent upon deployment schedule and site requirements.

The MMSS will provide a radically improved functional capability to the Military Services and DLA, reduce costs for information services and establish a systems infrastructure on which DoD can improve the way it does business. Specific improvements include: reduced inventories through better management, reduced labor requirements, reduced overhead costs, and improved control of assets. Once implementation is completed, legacy applications will be reduced or eliminated, decreasing ADP costs markedly.

ECONOMIC INDICATORS:
Total Cost of the Project \$6,180K (FY98/99)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission FY1998/1999 Biennial Budget Estimates		
SOFTWARE (\$ in Thousands)										D. Activity Identification US Army Materiel Command		
B. Component, Activity Group, Date Supply Management, Army		February 1997		C. Line No 98-15		Item Description Vision 2010				FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development							8,623			9,015		
Vision 2010							8,623			9,015		
TOTAL												

Narrative Justification:

- CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The Commodity Command Standard System (CCSS) is a tightly integrated system with interactive data, data processing routines, technical utilities with files and data bases serving multiple business processes. It was developed in the late 1960's. Some limited technology upgrades have been accomplished; however, the critical element of CCSS operating software remains unchanged. The obsolete technology and lack of system documentation increase maintenance costs; hinder business process improvements and reduce capability to augment the downsized workforce through outsourcing. The structure and technology of CCSS do not allow for user on-line access to all data. There is no capability to access data residing in current and future Army and DoD systems.
- ANTICIPATED BENEFITS:** The Army will enable joint operations envisioned by Joint Vision 2010, a shared data environment, decreased production costs, and more rapid, cost effective business process improvements. This focused logistics will be the fusion of information, logistics, and transportation technologies to provide rapid crisis response, to track and shift assets even while enroute, and to deliver tailored logistics packages and sustainment directly at the strategic operational and tactical level of operations. It will be fully adaptive to the needs of our increasingly dispersed and mobile forces, providing needed capabilities in hours or days versus weeks.
- IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Army Materiel Command organizations will be unable to fully support the Vision 2010 concept. Directing the logistics packages to the operational level will be hindered without the elements contained within this initiative. Army agencies will be unable to take advantage of advanced business practices, commercial economies, and global networks.
- ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	Net Present Value of Benefits:	\$38K	Payback Period:	1 year
Total Cost of the Project	\$9,015K (FY98)		Benefit to Investment Ratio:	1.8

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-1				D. Activity Identification AMC Major Subordinate Comds			
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development								902		
Labor - CDA								2,070		
Labor - Contractor*										
TOTAL		1,436			3,314			2,972		

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The current Commodity Command Standard System (CCSS) processes use a six-position date field. These six position date fields are used in nearly all applications and data bases for status accounting, computations, forecasting, financial accounting and requisition processing. When the year 2000 is reached, CCSS will be unable to determine the correct year in its current configuration.

b. **ANTICIPATED BENEFITS:** All six-position date fields in CCSS must be changed from six positions to eight positions to ensure continued systems operational capability.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Immediate and catastrophic system failure resulting in an unprecedented failure to meet business performance goals involving status accounting, forecasting, financial management, requisition processing and other logistic support functions.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS: \$5,826K (FY98/99)
Total Cost of the Project

*Labor-Contractor contains projections for LSSC contract oversight.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)						A. Budget Submission FY1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-2			Item Description LOGSA Century Date Change		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	FY 98
Software Development					760			1,678
TOTAL					760			1,678
Narrative Justification:								
a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Current systems do not allow transitioning to the 21st century. Data fields must be changed in the systems listed below to accommodate dates in two centuries. Failure to make changes will result in inaccurate and incomplete data that will, in effect, render these LOGSA databases useless.								
b. ANTICIPATED BENEFITS: Completion of this effort will allow continuation of effective LOGSA support into the next century.								
c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The system supported by these LOGSA databases will become ineffective and inoperable. All date-involved processes will fail, resulting in serious ongoing damage to critical Army information processes.								
d. ECONOMIC ANALYSIS PERFORMED? Yes.								
ECONOMIC INDICATORS:								
Total Cost of the Project						\$2,424K (FY98/99)		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)							A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
							D. Activity Identification Army Materiel Command		
			Item Description Integrated Sustainment Maint (ISM)				FY 99		
			FY 98				FY 98	Total Cost	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Hardware							1,430		
Software Development							1,760		
Labor Contractor							2,200		
Software							5,390		
TOTAL									715

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Various organizations and Major Commands (MACOMs) are responsible for sustainment maintenance. There is duplication of maintenance capability, redundancy in support, and fragmented command and control of maintenance capability.

b. **ANTICIPATED BENEFITS:** This initiative results in savings to the Army of \$142M. ISM provides for centralized management and decentralized execution of sustainment maintenance in the Army. Savings will be realized through improved "repair versus buy" decisions at the national level, regional cost avoidance, and maintenance efficiencies. Investment is required in order to gain efficiencies. Investment is shared among AMC and other MACOMs, such as Forces Command, Training and Doctrine Command, Office, Chief Army Reserves, and the National Guard Bureau.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The expansion of the ISM automation management information system cannot be accomplished. Without the automation management information system, ISM cannot be implemented and, therefore, no savings will be realized.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$9,385K

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
(\$ in Thousands)

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Procurement Automated Data and Document System (PADDS) and Commodity Command Standard System (CCSS) Procurement applications currently are accessed through on-site Local Area Networks (LANs). Any remote site processing must be accomplished using the Work Ordering and Reporting Communications System (WORCS) which queues one site's requirements to another site. While this allows for remote site processing, it requires dedicated LAN lines to accomplish this task. Reduced cost will be realized through use of the Internet in lieu of LAN lines.

b. **ANTICIPATED BENEFITS:** Running the PADD\$ Data Base Management System (DBMS) on the Internet will significantly reduce costs associated with Army and DoD downsizing efforts oriented toward consolidating contracting activities. The implementation of this initiative will reduce communication infrastructure cost through use of the Internet in lieu of installation of dedicated lines at each Command. Currently, remote site processing of procurement actions is accomplished through the WORCS which allows for the purchase of requirements with committed funds transferred from the customer to the buying Command.

IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Savings will not be realized.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:	
Total Cost of the Project	\$131K
Net Present Value of Benefits:	\$3,152K
Payback Period:	1 year
Benefit to Investment Ratio:	26.03

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)		A. Budget Submission FY1998/1999 Biennial Budget Estimates	
B. Component, Activity Group, Date Supply Management, Army		C. Line No 98-6	
February 1997		D. Activity Identification US Army Missile Command	
Element of Cost	Quantity	FY 96	FY 97
Hardware/Software Replacements		Unit Cost	Total Cost
TOTAL			
Narrative Justification:		On Net Transfer Protocol	
Item Description	Quantity	FY 98	FY 99
		Unit Cost	Total Cost
		Unit Cost	Total Cost
		Quantity	Unit Cost
			1,055
			1,055
		Payback Period: 1 year	
ECONOMIC INDICATORS:		Benefit to Investment Ratio: 3.94	
Total Cost of the Project	\$1,055K	Net Present Value of Benefits:	\$2,982K

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Procurement Automated Data and Document System (PADDS) currently transmits data to the logistics financial and contract administration applications. To ensure timely and accurate dissemination of payment and delivery information, the On-Net Files Transfer Protocol (TRP) is needed to facilitate faster data transmission.

b. **ANTICIPATED BENEFITS:** This project will facilitate attainment of the AMC goal to reduce procurement administrative leadtimes by fifty percent. It is estimated that these improvements will yield a two-day improvement in procurement administrative leadtime. This estimate is substantiated by the approved economic analysis.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The Army wholesale procurement and logistics community will be limited in its access to technical data or drawings if the necessary platforms are not available. This project satisfies requirements to make changes (directed, required, or considered urgent) to the legacy systems. Failure to implement these changes will result in increased manual effort to support the various functional areas. The current equipment cannot support the additional mission and personnel anticipated to be transferred as a result of BRAC.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)										A. Budget Submission FY1998/1999 Biennial Budget Estimates					
B. Component, Activity Group, Date Supply Management, Army		February 1997		C. Line No 98-9		Item Description Lateral Redistribution		D. Activity Identification Major Subordinate Commands							
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
Software Development										1,000					
TOTAL										1,000					
Narrative Justification:										1,500					
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Several audit findings revealed over \$500M of excess assets within Department of Defense (DoD) which could have been used if the Primary Inventory Control Activity (PICA) had visibility of assets at the Secondary Inventory Control Activity (SICA) level. As a result of the audit findings, Deputy Under Secretary of Defense, Logistics, directed all DoD components to provide visibility and redistribution capabilities. These \$500M excess assets were not available for the soldier due to the lack of visibility thereby decreasing redistribution and procurement offsets.</p>															
<p>b. ANTICIPATED BENEFITS: This initiative results in a cost savings of \$64M. Lateral redistribution provides visibility of assets across DoD that will allow for the redistribution of excess assets to fill backloggers and offset procurement buys. Both wholesale and retail assets will be utilized. As items migrate to the single DoD manager concept, additional system changes are required to realize visibility and utilize worldwide assets. This initiative supports velocity management because it will increase asset visibility across DoD, offset procurement buys, provide greater utilization of excess assets, and reduce order-ship-time (OST).</p>															
<p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Benefits to be derived from a reduced OST will occur. Asset visibility across DoD will be limited and procurement in excess of requirements will occur.</p>															
<p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>															
<p>ECONOMIC INDICATORS: Total Cost of the Project</p>										\$2,500K					

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-14				D. Activity Identification Army Materiel Command		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Item Description Common Operating Environment (COE)	FY 99
Software Development					5,967				4,737
TOTAL					5,967				4,737
Narrative Justification:									
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Commodity Command Standard System (CCSS) is a tightly integrated system with interactive data, data processing routines, technical utilities with files and data bases serving multiple business processes within the Army Materiel Command (AMC) logistics mission area. It was developed in the late 1960's. Some limited technology upgrades have been accomplished; however, the critical element of CCSS operating software remains unchanged. The obsolete technology and lack of system documentation increase maintenance costs; hinder business process improvements and reduce capability to augment the downsized workforce through outsourcing. The structure of CCSS does not allow for user on-line access to all data. There is no capability to access data residing in current and future Army and DoD systems.</p>									
<p>b. ANTICIPATED BENEFITS: Introduction of major business process improvements and other DoD standard systems into the Army Automated System environment is expected to take place over several years in an incremental fashion. During this timeframe, Army must continue to rely on existing legacy systems to conduct its daily operations. Not all of the current legacy systems are expected to be replaced. The end users will be faced with trying to navigate through a combination of new and old systems/databases residing on different hardware/software platforms. This combination of new and old systems will require retraining each time new systems are introduced and old systems are replaced. This initiative establishes a common environment for the end user as the wholesale logistics systems evolve through continuous business process improvements and supporting technology infusion. It will also allow users analytical tools with real time data access for simulations, trend analysis and what-if scenarios. This initiative will provide the enabling technology for business process reengineering efforts to enhance asset visibility leading to inventory reductions, procurement offsets, and enhanced readiness.</p>									
<p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Cost avoidance benefits will not be realized. Business process reengineering to achieve enhanced asset visibility for reduced inventory costs and improved readiness will be much more difficult and costly.</p>									
<p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>									
ECONOMIC INDICATORS:		\$4,737K (FY98) Total Cost of the Project							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
SOFTWARE (\$ in Thousands)										FY1998/1999 Biennial Budget Estimates		
B. Component, Business Area, Date		C. Line No		Item Description		D. Activity Identification						
Supply Management, Army		February 1997		CCSS Defense Logistics Mgt Systems		Major Subordinate Commands						
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development												
TOTAL							1	1,640	1,640			

Narrative Justification:

- CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** CCSS applications are not compatible with the new variable length format to be used for processing all military standard transactions. DoD has directed all services and DLA to adopt the variable length record format which is in alignment with industry and commercial standards. All CCSS application will require change. The interim proposal is to develop a front-end and back-end process to convert records into useable format to enable CCSS to process them when the new format is installed.
- ANTICIPATED BENEFITS:** This will enable AMC systems to interface and utilize standardized formats to process military standard records and transactions, such as requisitions, and to use the Defense Automated Address System (DAAS). This format is the standardized format for transaction processing used in industry.
- IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** AMC automated logistics systems will not be able to process incoming or outgoing military standard traffic such as requisitions or use DAAS services after October 1998.
- ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	\$1,640K
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ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-12				Item Description Single Item Inventory Record (SIIR)		
Element of Cost			FY 96		FY 97		FY 98		D. Activity Identification Major Subordinate Commands
Software Development	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
TOTAL									

Narrative Justification:

- CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Currently, there are two separate inventory records that require daily reconciliation. Audits reveal that records are inaccurate by as much as 35 percent. This discrepancy is attributed to the volume of receipt and adjustment transactions that flow between the Inventory Control Points and the Depots. Current systems contain up to three separate inventory records. Depots utilize Standard Depot System while Inventory Control Points utilize Commodity Command Standard System.
- ANTICIPATED BENEFITS:** By creating a single accountable record, SIIR would eliminate the need for separate custodial and accountable records. SIIR would eliminate the need for database reconciliation between activities. SIIR implementation would promote a seamless logistics inventory record and increase the readiness posture by decreasing denial rates. In addition, processing time will improve due to improved record accuracy, and order ship time will be reduced.
- IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Manual database reconciliation between activities will be continued with the inherent inaccuracies and errors associated with manual reconciliation.
- ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$1,000K

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)										A. Budget Submission FY1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Supply Management, Army			C. Line No 98-11			Item Description LOGSA Defense Logistics Mgt Systems				D. Activity Identification AMC Logistic Support Agency			
Element of Cost			FY 96		FY 97		FY 98		FY 99				
Software Development	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
TOTAL							1	1,750	1,750				

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Modification to the Logistic Support Agency (LOGSA) systems to accommodate the ANSI-X-12 syntax variable length records will require analysis and software engineering for various systems in LOGSA. This cost is based on making appropriate modifications to communication front-end processing along with the creation of a transaction translator/converter to support near term requirements. This figure also includes costs to begin making specific changes to legacy applications and databases.

b. **ANTICIPATED BENEFITS:** This update will enable AMC systems to interface and utilize standardized format to process military standard records and to use the Defense Automated Address System (DAAS). This format is the standardized format for transaction processing used in industry.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** AMC automated logistics systems will not be able to process incoming or outgoing military standard traffic such as requisitions or use DAAS services after October 1998.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$1,750K

Activity Group Capital Investment Summary
Depot Maintenance, Army

(\$ in Millions)

Line No.	Description	FY 96		FY 97		FY 98		FY 99	
		Quantity	Total Cost						
EQUIPMENT-Replacement									
96-M1	Drive Through Paint Booth	1	2.512						
97-M1	Electron Beam Welder	1	1.600						
97-M2	Plasma Spray Cells	3	2.300						
97-M4	Engine Test Cell Upgrade	1	2.400	1	0.600				
97-M5	Integrated Family of Test Equipment	1	1.730						
97-M7	Various Other Equipment <\$500K	40	8.790	30	10.623	1	3.970	1	3.562
97-M13	Bore Drill Milling Machine			1	4.050				
97-M16	Horizontal Boring Mill - Rebuild			2	1.400				
97-M30	Xerox 4090 Page Printer			1	0.475				
97-M31	Page Printing System			1	0.415				
98-M1	Indoor Radar Test Range					1	2.632		
98-M2	CNC Vertical Turret Lathe					1	0.800		
SUBTOTAL		47	19.332	36	17.563	3	7.402	1	3.562
EQUIPMENT-Productivity									
97-M9	Production Assembly Cell			4	2.074				
97-M24	Computer Numerical Control Punch Press			1	0.615				
97-M25	Aircraft Laser Paint Stripper								
97-M26	Electronic Van Refurbishment			1	0.875				
98-M3	CNC 5-Axis Machining Center							1	0.923
98-M4	Whintower Relocation			1	2.700			1	11.200
98-M5	CNC 15 Horsepower Machine Center							1	0.868
98-M7	ASRS Unit Load System							1	1.120
98-M8	CNC Automatic Punch Press							1	0.694
98-M15	Shot Blast Booth							1	0.750
99-M5	CNC Horizontal Machining Center							1	0.732
SUBTOTAL		2	5.944	6	3.564	6	15.555	1	0.732

Activity Group Capital Investment Summary Depot Maintenance, Army							
Line No.	Description	FY 96		FY 97		FY 98	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
97-M11	EQUIPMENT-Environmental Compliance	1	0.440	1	0.200		
97-M12	Waste Minimization Capitalization Account Fume/Dust Collection System	1	0.440	1	0.200		
	SUBTOTAL	1	0.440	1	0.200		
	EQUIPMENT TOTAL	50	25.716	43	21.327	9	22.957
						2	4.294
	ADPE & TELECOMMUNICATIONS						
96-M1	Video Teleconferencing	1	0.332				
97-M17	Sperry 5000 Systems Replacement	10	4.201				
97-M20	Computer Assisted Eng Expansion	1	0.945				
97-M21	Fiber Optic LAN	1	7.800	1	1.286		
97-M23	Depot Maint Sys (DMS)	1	4.183	1	4.140		
97-M28	Encrypted Trunked Radio Network			1	1.544		
97-M29	Laser Digitizing System			1	0.500		
97-M33	Misc ADP <\$500,000			1	0.161	2	0.500
	ADPE & TELECOMMUNICATIONS TOTAL	14	17.461	5	7.631	2	0.500
	SOFTWARE						
97-M32	SDS Common Operating Environment			6.200		4.800	3.980
98-M18	SDS Century Date Change	0.133		1.708		1.900	0.300
99-M6	SDS DLMS						1.262
	SOFTWARE TOTAL	0.133		7.908		6.700	5.542
	MINOR CONSTRUCTION						
97-M22	Minor Construction Projects	8	6.882	8	11.300	15	4.022
	DEPOT MAINTENANCE, ARMY	72	50.192	56	48.166	26	34.179
						11	12.405

NOTE: The Depot Maintenance, Army Total for FY99 does not match the Budget.

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

**Capital Budget Execution
(\$in Millions)**

PROJECTS ON THE FY 1997 PRESIDENT'S BUDGET

FY EQUIPMENT	Approved Project Title	Approved Project Amount	Approved Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency
<u>-Replacement</u>						
96 Electron Beam Welder		1.560	0.040	1.600	1.600	
96 Plasma Spray Cells		2.300		2.300	2.300	(0.000)
96 Engine Test Cell Upgrade		2.400		2.400	2.400	
96 Integrated Family of Test Equipment		1.900		1.900	1.730	(0.170)
96 Various Other Equipment (<\$500,000)		13.519	(3.665)	9.854	8.790	(1.064)
96 Drive Through Paint Booths			2.512	2.512	2.512	
97 Engine Test Cell Upgrade		0.600		0.600	0.600	
97 Various Other Equipment (<\$500,000)		13.027	(2.404)	10.623	10.623	
97 Bore Drill Milling Machine		4.050		4.050	4.050	
97 Horizontal Boring Mill - Rebuild		1.400		1.400	1.400	
97 Xerox 4090 Page Printer		0.475		0.475	0.475	
97 Page Printing System		0.415		0.415	0.415	
<u>-Productivity</u>						
96 Indoor Radar Test Site Equipment		2.067	0.033	2.100		(2.100)
96 Aircraft Laser Paint Stripper		3.244		3.244	3.244	
96 Whirltower				2.700	2.700	
97 Production Assembly Cell		2.074		2.074	2.074	
97 Computer Numerical Control Punch Press		0.615		0.615	0.615	
97 Electronic Van Refurbishment		0.875		0.875	0.875	
<u>-Environmental Compliance</u>						
96 Waste Minimization Cap Acct		1.554	0.046	1.600	0.440	(1.160)
97 Fume/Dust Collection System		0.200		0.200	0.200	
<u>AUTOMATED DATA PROCESSING</u>						
96 Sperry 5000 Systems Replacement		4.201		4.201	4.201	(0.000)
96 Network File Servers		0.215	(0.215)			
96 Personal Computers		0.129	(0.125)	0.004		(0.004)
96 Computer Assisted Eng Expansion		0.945		0.945	0.945	
96 Fiber Optic LAN		7.760	0.040	7.800	7.800	
96 Depot Maintenance System (DMS)		4.364	(0.002)	4.362	4.183	(0.179)
96 Video Teleconferencing			0.340	0.340	0.332	(0.008)
97 Fiber Optic LAN		1.286		1.286	1.286	
97 Depot Maintenance System (DMS)		4.140		4.140	4.140	
97 Engineer PC CADD Upgrade		0.161	(0.161)			
97 Encrypted Trunk Radio Network		1.544		1.544	1.544	
97 Laser Digitizing System		0.530	(0.030)	0.500	0.500	
97 Misc ADP <\$500,000				0.161	0.161	
<u>MINOR CONSTRUCTION</u>						
96 Minor Construction Projects		7.000		7.000	6.882	(0.119)
97 Minor Construction Projects		11.300		11.300	11.300	
<u>SOFTWARE</u>						
96 Century Date Change - SDS				0.133	0.133	
97 Software Development				7.908	7.908	

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Depot Maintenance**

**Capital Budget Execution
(\$in Millions)**

PROJECTS ON THE FY 1997 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Approved Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>
<u>RELIABILITY, MAINTENABILITY & SUPPORTABILITY MOD</u>						
	97 AH-64 TADS Azimuth Actuator	1.600		(1.600)		
	97 AH-64 PNVS Azimuth Actuator	1.600		(1.600)		
	97 UH-60 Tail Rotor Blade Assembly	0.137		(0.137)		
	97 AH-64 Primary IR Nozzles: Ribets to Bolts	0.543		(0.543)		
	97 AH-64 Primary Heat Supresser Materials	0.922		(0.922)		
	97 AH-64 Servo Actuator Boots	1.248		(1.248)		
	97 T700-GE-701C Stage 1 Turbine Blade	0.320		(0.320)		
	97 AH-64 Main Rotor Pitch Housing	0.185		(0.185)		
	97 AH-64 Environmental Control Unit Sensor	0.081		(0.081)		
	97 AH-64 Main Rotor Blade Surface Prep.	0.470		(0.470)		
	97 AH-64 Main Rotor Lead/Lag Link	0.425		(0.425)		
	97 AH-64 PNVS Elevation Belt Assembly	0.900		(0.900)		
	97 AH-64 Day Shroud Harness	0.420		(0.420)		
	97 AH-64 Engine Nose Gearbox Oil Pump	0.310		(0.310)		
	97 Vehicle Intercom System (VIS) Headset	1.169		(1.169)		
	97 Linear Drive Cooler Life Improvement	0.937		(0.937)		
	97 AN/VVS-2 NV Viewer Needle (Purge) Valve	0.241		(0.241)		
	97 PP-7815 Power Processor Redesign	0.256		(0.256)		
	97 Advanced QUICKLOOK Surveillance System	1.226		(1.226)		
	97 AN/PRD-12 Direction Finding Set	1.573		(1.573)		
	97 HMMWV Mounted MLRS FCP-TPT	4.380		(4.380)		
	97 M1 Series Slip Ring Upgrade	0.807		(0.807)		
	97 TACOM Top 10 Parts	5.050		(5.050)		
	FY 1996 Program	53.158	(0.996)	54.995	50.191	(4.804)
	FY 1997 Program	67.492	(27.395)	48.166	48.166	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT-Replacement
(\$ in Thousands)

Narrative Justification:

- a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Various equipment items have outlived their useful lives, are no longer economical to repair, or are unsafe to operate. Examples include: Numerically Controlled Brake Machine, Photoplottter, Artwork Scanner, Excavator, Shearing Machine, Computer Numerically Controlled, Vertical Machining Center, Grader, Forklift, Drop Hammer, Circuit Card Tester, and Welder.
- b. **ANTICIPATED BENEFITS:** Acquisition of this equipment will improve efficiency, increase capacity which cannot be met with current equipment, and replace unsafe assets to maintain and meet environmental standards.
- c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Lack of funding would cause reduction in mission capacity, failure to meet expected deliveries, increased manhour expenditure and downtime, inability to obtain repair parts, tolerance inaccuracies leading to rework, and violation of OSHA / EPA laws and regulations.

1 ECONOMIC AND SOCIAL REFERENCE VOCABULARY

ECONOMIC INDICATORS:

Total Cost of the Project

\$8,032K (FY 98/99)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Replacement (\$ in Thousands)							A. Budget Submission FY 1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Depot Maintenance, Army		C. Line No 98-M1		Item Description Indoor Radar Test Range		D. Activity Identification Tobyhanna Army Depot (TYAD)				
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Indoor Radar Test Range								1	2,632	2,632
TOTAL								1	2,632	2,632

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The existing radar range has a capability to test radar antenna parameters that are limited to a small group of radar antenna systems. A modernized capability is required to test the radar parameters of the Sacramento Air Logistics Center radar system.

b. **ANTICIPATED BENEFITS:** The proposed indoor radar test facility will improve turn-around time, technology, competition, downtime, and material handling. It will also provide the capability required to support the ongoing progression of state-of-the-art improvements in fielded radar/surveillance systems. It will reduce labor cost by more than 50% and improve safety of operation. With the capability to test radar indoors, efficiency and productivity will increase as testing can be done year round. Safety will improve because the outdoor hazards are eliminated (high voltage powerlines and microwave towers).

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The impact of not receiving this item, and thus not modernizing for the future, will be reduced mobilization and rapid deployment capabilities. In addition, the DoD infrastructure support capability will be hindered, as well as the efficient integration of base closures and mission realignment functions necessary to effect accomplishment of the mission. Troops need the latest radar technology when attempting to establish an operating base in an unfamiliar air traffic support locality.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:		Payback Period: 7.65 years	Benefit to Investment Ratio: 1.06
Total Cost of the Project	Net Present Value of Benefits:	\$2,632K	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Replacement (\$ in Thousands)			A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Depot Maintenance, Army			C. Line No 98-M2		
February 1997			Item Description CNC Vertical Turret Lathe		
Element of Cost	Quantity	FY 96	FY 97	FY 98	FY 99
CNC Vertical Turret Lathe	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost
TOTAL					
Narrative Justification:					
a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Machining Division fabricates parts for general stock resupply and for in-house use during maintenance, modification and upgrade of tracked vehicles at ANAD. Among the most critical and highly workloaded machine tools are four Computer Numerically Controlled (CNC) lathes. These machines will be nearly 15 years old and are becoming increasingly unreliable due to normal wear and tear. Downtime (length and frequency) is increasing and the ability to perform precision work decreases.					
b. ANTICIPATED BENEFITS: The replacement machine will provide a productivity increase of about 30%. This is due to both mechanical condition and added features such as a larger table, an automatic tool changer, and grinding and "live" tooling capabilities.					
c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Operation and maintenance costs for the existing machine will increase as its condition continues to deteriorate. Increasingly unavailable repair parts and service will add to the amount of downtime. Mechanical wear will limit this machine for secondary, non-precision use which will increase the workload on other machines and result in schedule delays.					
d. ECONOMIC ANALYSIS PERFORMED? Yes.					
ECONOMIC INDICATORS:	\$800K	Net Present Value of Benefits:	\$438K	Payback Period:	6.02 years
Total Cost of the Project				Benefit to Investment Ratio:	1.71

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission FY 1998/1999 Biennial Budget Estimates			
EQUIPMENT-Productivity (\$ in Thousands)										D. Activity Identification Anniston Army Depot (ANAD)			
B. Component, Activity Group, Date Depot Maintenance, Army		February 1997		C. Line No 98-M3		Item Description CNC 5-Axis Machining Center		FY 98			FY 99		
Element of Cost	Quantity	FY 96	Unit Cost	Total Cost	Quantity	FY 97	Unit Cost	Total Cost	Quantity	FY 98	Unit Cost	Total Cost	Quantity
CNC 5-Axis Machining Center									1	923	923	923	
TOTAL									1	923	923	923	

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The Machining Division fabricates parts for general stock re-supply and for in-house use during maintenance, modification and upgrade of tracked vehicles at ANAD, the Army's only organic facility for heavy tracked vehicles. Among the most critical and highly workloaded machine tools are three Computer Numerically Controlled (CNC) machining centers. These machines will be nearly 15 years old, and besides deteriorating from normal wear and tear, lack the flexibility of 5-axis control necessary to machine complex parts without schedule delays due to multiple set-ups.

b. **ANTICIPATED BENEFITS:** The enhanced capabilities of a 5-axis machining center will improve total milling productivity by about 25%. Complicated, high precision parts will be produced with a minimum of labor due to reduced setup time, faster metal cutting rate, and 5-axis CNC. The existing machines will perform less difficult tasks, thus preserving the life of this new machine. Flexibility to provide varied lot sizes with short lead times will be greatly improved for weapon system and vehicle parts otherwise unobtainable. Schedule delays are estimated at 33% (i.e., a part which would take 6 hours to make on the new machine is now taking 8 hours). This equipment will provide continuing organic support for the M1 main battle tank, M88 recovery vehicle, M60/M48 bridge layer, M728 combat engineering vehicle and future workload transitioning to ANAD as a result of BRAC.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Machining capability, especially for cost effective production of varying quantities of parts, will continue to deteriorate. Delays and labor costs will increase, reducing customer satisfaction.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	Net Present Value of Benefits:	\$965K	Payback Period:	4.9 years
Total Cost of the Project	\$923K		Benefit to Investment Ratio:	2.15

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Productivity (\$ in Thousands)							A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Depot Maintenance, Army			C. Line No 98-M4				D. Activity Identification Corpus Christi Army Depot (CCAD)		
Element of Cost	Quantity	FY 96	FY 97	FY 98	FY 99	Item Description	Quantity	Unit Cost	Total Cost
Whirltower Relocation Phase I	1	2,700	2,700			Whirltower Relocation	1	11,200	11,200
Whirltower Relocation Phase II									
TOTAL	1	2,700	2,700				1	11,200	11,200

Narrative justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** CCAD currently operates a depot schedule of two 10-hour shifts per day, 4 days per week. The existing whirltower performs dynamic testing of only UH-60 main rotor blades. During FY 96, CCAD handled a workload of 1327 blades, but had to work an extra two 8-hour shifts (Fri-Sat) for a total of 112 hours/week to meet the requirement. In FY 97, the UH-60 workload is expected to be 1308 blades; additional workload will include 110 CH47-D (Chinook) fore and aft blades and 320 SH-60 (Seahawk) blades from the Navy, for a total of 1738 blades. By FY 99, workload is projected at 1824 blades/year. CCAD needs the additional capacity of the proposed extra tower to meet the increased workload. The alternative, contracting out, is more costly and time-consuming, and would also result in jeopardizing the 60/40 organic/contract split imposed by Congress.

b. **ANTICIPATED BENEFITS:** New production capacity will allow CCAD to complete authorized workload for dynamic testing of all blades. As a result of the FY 93 BRAC decisions, the Pensacola whirltower was declared excess. CCAD obtained approval from DRMO to relocate the tower to CCAD. The transfer will be accomplished in two phases. Phase I includes disassembly, preservation, transportation and storage of the tower at CCAD. Phase II includes assembly and installation of the tower at CCAD. Obtaining the excess whirltower from Pensacola will avoid cost of construction of a new tower (\$41 million).

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** CCAD will not be able to accommodate increased workload assigned under BRAC and will not be able to maintain the 60/40 organic/contract ratio for core workload required by current law. Delays in blade overhaul will impact ability to support tactical aviation elements. Requirements to contract out will result in increased costs.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	\$11,200K (FY 98)
Total Cost of the Project	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION						
EQUIPMENT-Productivity (\$ in Thousands)						
B. Component, Activity Group, Date		C. Line No		Item Description		
Depot Maintenance, Army		February 1997		CNC 15 Horsepower Machine Center		
Element of Cost	Quantity	FY 96	FY 97	FY 98	FY 98	FY 99
CNC 15 Horsepower Machine Ctr						
TOTAL						
Narrative Justification:						

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** This machine fabricates parts for general stock resupply and for in-house use during maintenance, modification, and upgrade of tracked vehicles at ANAD. Among the most critical and highly workloaded machine tools are three Computer Numerically Controlled (CNC) machining centers. A 3-axis horizontal machining center was bought in 1983, but due to normal wear and tear is becoming increasingly unreliable in terms of downtime and inability to do high precision work required.

b. **ANTICIPATED BENEFITS:** Besides restoring capacity to more easily accomplish high precision machining, the replacement equipment will increase productivity by about 25% due to a higher horsepower motor. Uptime will be high due to easy availability of repair parts and vendor service. Production and schedule delays will be minimized. This machine will process those parts for which 3-axis control is sufficient. ANAD is the Army Center of Excellence for maintenance of heavy tracked vehicles. This equipment will provide continuing organic support for the M1 main battle tank, M88 recovery vehicle, M60/M48 bridge layer, M728 combat engineering vehicle, and future workload transitioning to ANAD as a result of BRAC.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Operation and maintenance costs for the existing machine will increase as its condition continues to deteriorate. Moreover, unavailable repair parts will increase the amount of downtime. Mechanical wear will limit this machine for secondary, non-precision use which will increase the workload on other machines and result in schedule delays.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	\$868K	Net Present Value of Benefits:	\$0	Payback Period:	9.62 years
Total Cost of the Project		Benefit to Investment Ratio:	1.00		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Productivity (\$ in Thousands)							A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Depot Maintenance, Army			C. Line No 98-M7				D. Activity Identification Tobyhanna Army Depot (TYAD)		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	FY 98	FY 99
ASRS Unit Load System								1	1,120
								1,120	1,120
	TOTAL							1,120	1,120

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The Automated Stacking Retrieval System (ASRS) is used to store and retrieve large bulky pieces of material in support of fabrication and overhaul jobs. The system utilizes a two man-abroad narrow isle lift vehicle to perform these actions. These vehicles move palletized stock in and out of the storage area to keep pace with the Automated Guided Vehicles (AGVs) which deliver the material throughout the industrial shop areas. Existing controllers manage the mini-load mechanical functions adjacent to the unit-load operations. Currently, the repair parts for the old system must be requisitioned from England and require a 90-day-plus leadtime.

b. **ANTICIPATED BENEFITS:** By upgrading the controllers, the project will ensure the continued storage, retrieval and delivery of critical mission material in concert with present and future production requirements. Obsolete equipment and control systems will be replaced and the project will provide an average annual savings of \$524K based on the EA. The cost savings will be realized as a result of a 0.9 percent decrease in direct labor charges. Maintenance costs will be reduced through the use of industry standard modular devices. Parts will be more readily accessible thus reducing downtime. The new equipment will also increase materiel handling processes with its faster cycle times. Work order/customer response times will be reduced from 10 days to 8 hours.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The inability of the ASRS to fill orders in a reasonable timeframe will continue to cause havoc, not only in material handling and production, but also in meeting workload scheduling and delivery.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	Payback Period:	1.94
Total Cost of the Project	Net Present Value of Benefits:	\$3,824K
	Benefit to Investment Ratio:	4.90

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		EQUIPMENT-Productivity (\$ in Thousands)		A. Budget Submission FY 1998/1999 Biennial Budget Estimates		D. Activity Identification Tobihanna Army Depot (TYAD)	
B. Component, Activity Group, Date		February 1997		C. Line No 98-M8		Item Description CNC Automatic Punch Press	
Depot Maintenance, Army		FY 96	FY 97	FY 98	FY 99	D. Activity Identification Tobihanna Army Depot (TYAD)	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity
CNC Automatic Punch Press							
TOTAL							
Narrative Justification:							
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current equipment performs stamping operations on metal sheets used in manufacturing electronic and communications components. The manufacturing procedure is very time consuming and labor intensive due to excessive production times for setup, piece loading, metal cutting and shearing, and handling of sheets. The machine is 12 years old and operates 24 hours a day, 7 days a week. This machine is approaching the end of its economic life. Without additional capability, TYAD cannot meet present production schedules.</p>							
<p>b. ANTICIPATED BENEFITS: The proposed CNC punch press with air plasma cutter is precise and will reduce the backlog of work as well as maintain the organic base. An estimated average productivity increase of 46% will be realized for non-nibbling punch operations, for table travel operations and for a portion of the nibbling punch operations. This machine will also improve turn-around times, reduce material losses by 2% and improve technology expertise. The resulting cost savings will mean a lower revenue rate charged to the customer.</p>							
<p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the proposed press is not installed, scheduled workload will slip, cost savings will not be realized, and rapid deployment capability will be jeopardized.</p>							
<p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>							
ECONOMIC INDICATORS:		Payback Period: 8.10 years		Benefit to Investment Ratio: 1.72			
Total Cost of the Project		Net Present Value of Benefits: \$338K					

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Productivity (\$ in Thousands)										A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Depot Maintenance, Army										D. Activity Identification Sierra Army Depot (SIAD)		
			C. Line No 98-M15		Item Description Shot Blast Booth					FY 99		
	Element of Cost	Quantity	FY 96	FY 97	Quantity	Unit Cost	Total Cost	Quantity	FY 98	Unit Cost	Total Cost	Quantity
Shot Blast Booth								1		750	750	
TOTAL								1		750	750	
Narrative Justification:												
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, SIAD is shot blasting military vans in inappropriately sized, small work booth areas. The number of vans to be blasted and repainted is increasing and the current work situation is inefficient. The 40 foot shot blast booth currently in operation is capable of completing three International Standard Organization (ISO) containers per day.</p> <p>b. ANTICIPATED BENEFITS: This drive-thru shot blast booth is needed for the Inland Petroleum Distribution System (IPDS), Water Support System (WSS) and Force Provider (FP). This additional shot blast booth will be used for existing and new mission requirements. With a 60 foot booth, 6 to 8 ISO containers could be done per day. If the scope of work is for minor or intermediate work, then more containers could be done per day. The Army owns approximately 14,000 ISO containers and the installation anticipates becoming the manager for assets owned by Air Force, Navy and Marines. Current estimate for FY 98 is 20 to 35 ISO containers per day. This quantity cannot be completed with the existing booth. These containers must be refurbished to support the Army's mission.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Workload will increase to a point where slowdown will occur and workload schedules will not be met as workload increases. The project becomes even more important as additional workload is received from other Services.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>												
ECONOMIC INDICATORS:										Pay Back Period:	25 years	
Total Cost of the Project		\$750K								Benefit to Investment Ratio:	0.40	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Productivity (\$ in Thousands)				A. Budget Submission FY 1998/1999 Biennial Budget Estimates			
B. Component, Activity Group, Date Depot Maintenance, Army		C. Line No 99-M5		D. Activity Identification Tobyhanna Army Depot (TYAD)			
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity
CNC Horizontal Machining Ctr.							
TOTAL							

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The current Cincinnati Horizontal Milling Machine (HMC) is one of the key items of equipment in the machine shop. Productivity of this equipment in the machine shop is key for programs such as FIREFINDER, SATCOM and RAPIDE. Productivity is lost when the milling operations cannot be completed without delays (including delays in locating or machining obsolete parts). The existing machine has been in service since 1958. As a result of age and worn components, this machine has lost its capability to consistently mill parts to the close tolerances required.

b. **ANTICIPATED BENEFITS:** There are numerous improvements in the machining field due to advanced technology. Computer Numerically Controlled (CNC) machine tools with Distributed Numerically Controlled (DNC) units are becoming commonplace. The proposed machine will be a state-of-the-art unit with cost saving features as follows: operations with a single set-up (milling, drilling, boring, facing, spotting, counterboring, threading and tapping); automatic tool changing; increased feed rates; ease of use computer menu and diagnostic analyzers. The CNC machine has the ability to be tied into the existing computer aided manufacturing (CAM) effort and save \$62K in annual operating costs.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** An opportunity to realize a 300% savings in production costs would be lost. This, together with higher maintenance and downtime costs, equates to the \$62K per year savings. To rebuild the present unit would cost \$150K and is not considered economically feasible according to the EA.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	\$732K Total Cost of the Project	Net Present Value of Benefits:	\$106K	Payback Period:	7.25 years
				Benefit to Investment Ratio:	1.2

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING (\$ in Thousands)						
				A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
				D. Activity Identification Anniston Army Depot		
				FY 99		
				Item Description	Quantity	Unit Cost
				Misc ADP <\$500K	FY 98	FY 99
B. Component, Activity Group, Date Depot Maintenance, Army		February 1997	C. Line No 97-M33	FY 97	Quantity	Unit Cost
Element of Cost	Quantity	Unit Cost	Total Cost	FY 97	Total Cost	Unit Cost
Misc ADP <\$500K				1		
Engineer PC CADD Upgrade					161	
Digital Link Carrier Equipment					1	250
End User Cable					0	250
TOTAL	1			161	0	500

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The PC Computer Aided Design and Drafting (CADD) current system provides engineering support for varying missions. The system is obsolete and slow and does not provide adequate support. The Digital Link Carrier: equipment currently in place supports only voice and low speed data (2400 bits/second) and is very costly to maintain. End User Cable: currently the ammunition restricted area has no local area network capability and cannot receive or transmit data.

b. **ANTICIPATED BENEFITS:** PC CADD Upgrade will provide (1) needed support for drafting and design functions; (2) computer assisted engineering (CAE) to all engineers; and (3) standardization throughout the engineering community. Digital Link Carrier Equipment will allow voice, high speed data and video application to be processed over the existing fiber optic and copper cables and will eliminate loss in productivity by providing connectivity for restricted area users. End User Cable equipment will provide capability to receive and transmit data in the ammunition restricted area and will greatly increase productivity.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** It will not be feasible to provide required CADD services as staff downsizes; Anniston will be unable to obtain maintenance support for current digital link equipment (AT&T is discontinuing life cycle support); and the ammunition restricted area will remain unable to receive and transmit data electronically, causing lost productivity.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$500K (FY98)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION (\$ in Thousands)		A. Budget Submission FY 1998/1999 Biennial Budget Estimates							
B. Component, Activity Group, Date Depot Maintenance, Army		C. Line No 97-M22		D. Activity Identification Various AMC Depots					
		FY 96		FY 97		FY 98		FY 99	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction Projects	8	6,882	6,882	8		11,300	15	4,022	9
TOTAL	8	6,882	6,882	8		11,300	15	4,022	9

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Minor construction projects address several key health, environmental and safety issues. Generally, projects upgrade fire protection, eliminate portable heaters -- which are in violation of safety codes, reduce employee cadmium exposure, and stop the seepage of hazardous waste into the ground. Such projects are required every year.

b. **ANTICIPATED BENEFITS:** Permit compliance with safety standards, eliminate workload and production deficiencies, and address environmental concerns.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Installations will be in noncompliance with fire/safety regulations, and employees will be exposed to dangerous working conditions which could result in filing of claims.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$6,591K (FY 98/99)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION									
SOFTWARE (\$ in Thousands)									
B. Component, Activity Group, Date Depot Maintenance, Army		C. Line No 98-M18		Item Description SDS Century Date Change		D. Activity Identification AMC/Army Depots		A. Budget Submission FY 1998/1999 Biennial Budget Estimates	
				FY 97		FY 98			
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SDS Century Date Change						1,708			1,900
TOTAL						1,708			1,900
Narrative Justification:									
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current Standard Depot System (SDS) will not accommodate the transition to the new century. This System Change Request (SCR) will modify SDS to recognize implicit and explicit dates into the 21st century. This requirement will impact all SDS program tasks.</p> <p>b. ANTICIPATED BENEFITS: The modification to the SDS will improve data accuracy.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The SDS becomes inoperable without this change. Without the ability of SDS to distinguish, for example, the year 1905 from 2005, all logistics disciplines that are data driven become dysfunctional. The result will be an unprecedented failure to meet regulatory and business logistical performance goals in such activities as scheduling of repairs and maintenance into the depots, Material Release Order processing, and inspection schedules.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>									
<p>ECONOMIC INDICATORS:</p> <p>Total Cost of the Project \$2,200K FY98/99</p>									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)							A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
B. Component, Activity Group, Date Depot Maintenance, Army		C. Line No 99-M6		Item Description SDS DLMS			D. Activity Identification AMC/Army Depots		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SDS DLMS									
TOTAL									

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Modification is based on DoD directive to delete 80 position transactions and move to variable length records based on ANSI ASC X12 syntax. This directive applies to all logistical transactions. The current 425 Military Logistics Systems (MILS) system document identifier codes will be replaced by 53 applications of 26 transactions sets. The existing system will be modified to accept transactions in the DLMS X12 variable length record format in order to process all MILS records. This change will be in alignment with the industry standard.

b. **ANTICIPATED BENEFITS:** Modification will increase functional capacity with over 100 enhancements to MILS systems and will apply modern telecommunications technology to the Standard Depot System (SDS). This update will enable AMC systems to utilize standardized formats to process MILS records such as (requisitions). This is the standardized variable length record format that is in-sync with industry standards.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** AMC systems will not be able to process incoming and outgoing traffic or use DaaS. This system will not be able to perform critical logistical sustainment functions.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	\$1,262K
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ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission FY 1998/1999 Biennial Budget Estimates		
SOFTWARE (\$ in Thousands)							D. Activity Identification AMC/Army Depots		
B. Component, Activity Group, Date		C. Line No		Item Description					
Depot Maintenance, Army		97-M32		SDS Common Operating Environment					
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development						6,200			4,800
TOTAL						6,200			4,800
Narrative Justification:									
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current system does not allow for ready technology insertion. This effort would restructure the Army industrial logistics legacy system Standard Depot System (SDS) to reduce application program complexity. Restructuring/re-engineering facilitates modernization and enhances technology insertion, improves maintainability and facilitates incorporation of business process changes.</p>									
<p>b. ANTICIPATED BENEFITS: Restructuring of the SDS legacy system directly supports the Army Strategic Logistics Plan Automation Initiative. Legacy restructuring will extend SDS system life and will enhance maintainability because of the reduced systems complexity and the increased receptivity to technology insertion and business process improvements, e.g., improved storage management, asset management, etc. Legacy restructuring will offset critical skill losses by documenting data and functionality related to code implementation. This initiative is also critical to survival of legacy system code since restructuring/re-engineering will allow the Army CDA to maintain legacy systems within personnel resources allotted, and will condition legacy code to facilitate insertion of required new technology -- particularly where the SDS technical infrastructure is at the end of its life cycle or where commercial products are no longer available.</p>									
<p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army automation logistics posture will be seriously flawed. Survival of the legacy system becomes questionable based on limited personnel resources possessing critical skills and based on legacy code obstacles to insertion of required new technology.</p>									
<p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>									
<p>ECONOMIC INDICATORS: \$8,780K (FY98/99) Total Cost of the Project</p>									

Activity Group Capital Investment Summary									
Ordnance									
Line No.	Description	FY 96			FY 97			FY 98	
		Quantity	Total Cost						
	EQUIPMENT-Replacement								
97-A12	Rework GLATT Material Feed System			1	.634				
98-A1	Jig Grinder Equipment	1	7.647	1	14.420	1	.768	1	1.183
98-A2	Finisher Rotational Parts					35	9.354	27	7.237
98-A3	Various Capital Equip <\$500K								
	SUBTOTAL	1	7.647	1	15.054	36	10.122	28	8.420
	EQUIPMENT-Environmental Compliance								
97-A5	Hi-Shear Mixer	1	.767						
	SUBTOTAL	1	.767						
	EQUIPMENT-Environmental Compliance								
98-A5	Air Pollution Controls Upgrade								
	SUBTOTAL	1	8.414	1	15.054	1	4.130		
	EQUIPMENT TOTAL					37	14.252	28	8.420
	AUTOMATED DATA PROCESSING								
97-A7	Sperry 5000 Personal Computers	1	2.359						
97-A8	Fiber Optic Network	1	2.000						
97-A11	Digital Conference Bridge (Telecommo)	1	.135						
97-A9	Misc ADP <\$500K			1	.270	1	1.118	1	.668
	ADP TOTAL	3	4.494	1	.270	1	1.118	1	.668
	MINOR CONSTRUCTION								
98-A12	Minor Construction	1	2.487	1	2.145	13	2.928	9	1.967
	MINOR CONSTRUCTION TOTAL	2.487		2.145		13	2.928	9	1.967
	Ordnance	4	15.395	2	17.469	51	18.298	38	11.055

**Army Working Capital Fund
FY 1998/1999 Biennial Budget Estimates
Ordnance**

**Capital Budget Execution
(\$in Millions)**

PROJECTS ON THE FY 1997 PRESIDENT'S BUDGET

FY EQUIPMENT	Approved Project Title	Approved Project Amount	Approved Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency
<u>-Replacement</u>						
96 Various Other Equipment (<\$500,000)		13.000	(2.000)	11.000	7.647	(3.353)
97 Various Other Equipment (<\$500,000)		14.283	0.137	14.420	14.420	
97 Bulk Dunnage Incinerator		0.771	(0.771)			
97 Rework GLATT Material Feed System		0.634	0.634	0.634	0.634	
<u>-Productivity</u>						
96 Hi-Shear Mixer		1.300		1.300	0.767	(0.533)
<u>AUTOMATED DATA PROCESSING</u>						
96 Sperry 5000 Personal Computers		2.400		2.400	2.359	(0.041)
96 Fiber Optic Network		2.000		2.000	2.000	
96 Miscellaneous ADP (<\$500,000)		0.327	(0.036)	0.291		(0.291)
96 Digital Conference Bridge (Telecommo)		0.135	0.001	0.136	0.135	(0.001)
97 Miscellaneous ADP (<\$500,000)		0.160		0.160	0.160	
97 Life Cycle Replacement of ADPE		0.110		0.110	0.110	
<u>MINOR CONSTRUCTION</u>						
96 Minor Construction Projects		2.600		2.600	2.487	(0.113)
97 Minor Construction Projects		2.145		2.145	2.145	
FY 1996 Program		21.762	(2.035)	19.727	15.395	(4.332)
FY 1997 Program		17.469		17.469	17.469	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Replacement (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimate			
B. Component, Activity Group, Date Ordnance Army February 1997			C. Line No 98-A1		Item Description Jig Grinder Equipment		D. Activity Identification Rock Island Arsenal (RIA)			
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Jig Grinder Equipment										
TOTAL								1	768	768

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The jig grinder provides smooth surfaces where holes have been drilled and smooths contours to precise dimensions specified on tool and gage drawings. These special toolings support all end items in the Arsenal's manufacturing mission. Since precise dimensions must be maintained, the current machine needs to be replaced because it can no longer maintain the level of precision that is needed.

b. **ANTICIPATED BENEFITS:** This machine is required for the manufacture of special tooling for next generation and current weapon systems. Specifically , the Jig Grinder allows RIA to manufacture, instead of purchase, broach tooling bits for an annual savings of \$.252M. In addition, this project improves the tool room's capabilities to hold tolerances and finishes specified on the tool and gage drawings. Finally, it also reduces scrap in the tool manufacturing cost center by 25% in the first year and saves \$.039M annual in labor cost for 10 years.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Failure to fund this project will impact cost and scheduling of current and future mission armament products and cause safety violations. The new machine will better meet OSHA requirements to protect the operator for exposure to moving parts and debris as well as protecting others in the area.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:	Net Present Value of Benefits: 2,050K	Payback Period: 2.96 years
Total Cost of the Project	\$768K	Benefit to Investment Ratio: 4

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Replacement (\$ in Thousands)		A. Budget Submission FY1998/1999 Biennial Budget Estimate							
		B. Component, Activity Group, Date Ordnance Army February 1997							
		C. Line No 98-A2							
		D. Activity Identification Rock Island Arsenal (RIA)							
		FY 96	FY 97						
Element of Cost	Quantity	Unit Cost	Total Cost						
Finisher Rotational Parts									
TOTAL									
Narrative Justification:									
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Current manufacturing processes at RIA require finishing (the process of bringing a part to its final configuration) internal diameters, grooves, faces and outside diameters. This work is performed to very precise tolerances and standards. The current equipment has reached the limits of its capabilities. Today's requirements demand that high reliability and repeatability are achieved at ever tighter tolerances.</p>									
<p>b. ANTICIPATED BENEFITS: The objective of this project is to improve the Arsenal's micro-finishing capabilities. New computer numerically controlled (CNC) models are capable of combining multiple operations into one. This improves the quality of the parts by completing multiple part features into one fixtured setups. This project will provide an annual operating cost savings of \$.074M over an 11-year period.</p>									
<p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund this project will impact RIA's ability to support manufacture of current and next generation armament components. Also, increased maintenance and repair costs of existing equipment will not allow RIA to provide cost effective manufacturing of core mission items in a timely manner.</p>									
<p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>									
<p>ECONOMIC INDICATORS:</p> <table> <tr> <td>Total Cost of the Project</td> <td>\$1,183K</td> <td>Net Present Value of Benefits:</td> <td>73,053K</td> </tr> </table>		Total Cost of the Project	\$1,183K	Net Present Value of Benefits:	73,053K	<table> <tr> <td>Payback Period: 11.1 years</td> <td>Benefit to Investment Ratio: 1</td> </tr> </table>		Payback Period: 11.1 years	Benefit to Investment Ratio: 1
Total Cost of the Project	\$1,183K	Net Present Value of Benefits:	73,053K						
Payback Period: 11.1 years	Benefit to Investment Ratio: 1								

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Replacement (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimate			
B. Component, Activity Group, Date Ordnance			C. Line No 98-A3		Item Description Various Capital Equip <\$500K			D. Activity Identification Various Installations		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Various Capital Equip <\$500K		1	7,647	7,647	1	14,420	14,420	35	267	9,354
TOTAL	1	7,647	7,647	14,420	1	14,420	14,420	35	267	9,354
Narrative Justification:										
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This represents various projects for replacement of equipment which has outlived its usefulness, become uneconomical to repair, or become unsafe to operate. Examples are: lathes, rail service material handler, recondition scrubber blowers, slurry prep tank renovation, matcher planer, extruding press, robot handling system, turret lathe (4 axes Computer Numerically Controlled (CNC)), and vibration monitoring.</p> <p>b. ANTICIPATED BENEFITS: Acquisition of this equipment will improve efficiency, increase capacity that cannot be met with current equipment, replace unsafe or inoperative/unusable assets and include requirements mandated by a regulatory agency (state, local or Federal).</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Equipment support capability would not be provided for mission needs. This would cause reduction in</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>										
<p>ECONOMIC INDICATORS:</p> <p>Total Cost of the Project \$16,591K (FY98/99)</p>										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT-Environmental Compliance (\$ in Thousands)					A. Budget Submission Fy1998/1999 Biennial Budget Estimate		
B. Component, Activity Group, Date Ordnance	Date Army	February 1997	C. Line No 98-A5	Item Description Air Pollution Controls Upgrade	D. Activity Identification Pine Bluff Arsenal (PBA)		
Element of Cost	Quantity	FY 96	FY 97	Quantity	FY 98	Unit Cost	Total Cost
Air Pollution Controls Upgrade					1		
TOTAL					1		4,130

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The current Air Pollution Controls will not meet the more stringent standards which will be required for renewal of this permit when it expires in November 1999.

b. **ANTICIPATED BENEFITS:** This project will install new scrubbers and blowers, a new exhaust stack, and newer automated controls located further from the hazards of the incinerator, reducing human involvement and hazard exposure. These improvement will allow PBA to renew its operating permits for incineration of hazardous wastes for the next ten years and continue disposal of hazardous wastes in full compliance with environmental regulations. Since local waste handlers do not have the technology to incinerate the types of chemical and smoke mixture wastes generated, these wastes would be transported to surrounding states (Kansas, Missouri or Texas). Many states are restricting this type of disposal operation.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** PBA will not meet the tighter environmental regulations. Therefore, the ADPC&E and EPA will not issue a new joint operating permit. PBA will have to cease hazardous wastes incinerator operations and dispose of all hazardous wastes off-site at great expense. PBA is the Army's source for Research & Development and Production of Chemical and Obscurant Munitions.

d. **ECONOMIC ANALYSIS PERFORMED?** Per paragraph 6a, DoD Policy Statement, Aug 94, Economic Analysis of AWCF Capital Budget Investment Projects; exemption from EA is applicable to hazardous waste management facilities under provisions found in Title 40, CFR.

ECONOMIC INDICATORS:
Total Cost of the Project \$4,130K

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimate			
B. Component, Activity Group, Date Ordnance			C. Line No 97-A9		Item Description Misc ADP <\$500K		D. Activity Identification Crane/Rock Island			
Element of Cost	Quantity	FY 96	FY 97	Unit Cost	Total Cost	Quantity	FY 98	Unit Cost	Total Cost	
Misc ADP <\$500K				1	270	270	1	1,118	1,118	
TOTAL				1	270	270	1	1,118	1,118	
Narrative Justification:										
<p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: These miscellaneous information management projects replace old/obsolete and unrepairable equipment with current state-of-the-art equipment. Under the Standard Depot System redesign, systems must be able to operate under the Open Systems Interface (OSI). The existing systems are not OSI compatible. Existing Computer Aided Design (CAD) system hardware and software required upgrading to enhance present mechanical design capabilities and replace the current Medusa system which is 7 years old and not expandable for future needs.</p> <p>b. ANTICIPATED BENEFITS: This project will provide necessary components to the Local Area Network to keep hardware and software up to current standards. Replacement of obsolete equipment will improve processing speeds, increase production and reduce maintenance costs.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Systems will continue to be unreliable. Downtime will be greater and administration cost will be higher.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes.</p>										
							ECONOMIC INDICATORS: Total Cost of the Project \$1,786K (FY98/99)			

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION (\$ in Thousands)							A. Budget Submission FY1998/1999 Biennial Budget Estimate		
B. Component, Activity Group, Date Ordnance			C. Line No 98-A12		Item Description Minor Construction		D. Activity Identification Various Installations		
Element of Cost		Quantity	FY 96	FY 97	Quantity	FY 98	Quantity	FY 99	Total Cost
Minor Construction		1	2,487	2,487	1	2,145	1	225	2,928
									219
TOTAL		1	2,487	2,487	1	2,145	1	225	2,928
Narrative Justification:							A. Budget Submission FY1998/1999 Biennial Budget Estimate		

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** This program will add or upgrade installation facilities that have inefficient operations, use excessive resources, lack energy conservation, or do not comply with regulatory requirements that address safety, environmental, and security requirements. Examples of projects that are required for health or safety compliance are: Replace Windows, Bldg 104, Crane Army Ammunition Activity (CAAA); Steel Secondary Doors, Bldg 138 at CAAA; Deluge System, Bldg 138 at CAAA. An example of a project that corrects workload/production deficiencies is the Underground Electric Service to production buildings. An example of a project that corrects an environmental concern is the Upgrade Wastewater Treatment at Pine Bluff Arsenal.

b. **ANTICIPATED BENEFITS:** Benefits are reduced labor and compliance with safety, environmental and security requirements. Benefits related to health/safety include: replacing glass windows with non-shatterable, slow burning plastic window panes (thus meeting DA directives); steel doors (secondary) providing protection from blast over pressures, hazardous fragments and thermal effects of accidental explosion, and compliance with fire and safety codes from installation of the deluge system at CAAA. Benefits of correcting workload/production deficiencies include: stopping double handling of ammunition thus cutting handling cost bringing production explosive material buildings into safety compliance.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Failure to meet present and future workload requirements by not upgrading installations for new workload and the inability to comply with safety, environmental and security requirements.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:
Total Cost of the Project \$4,895K (FY98/99)

Activity Group Capital Investment Summary Information Services, Army (\$ in Millions)									
Line No.	Description	FY 96			FY 97			FY 98	
		Quantity	Total Cost						
98-1	AUTOMATED DATA PROCESSING Various Capital Equipment <\$500K ADP TOTAL					1	0.300	1	0.335
						1	0.300	1	0.335
								1	0.300
									1
									0.335

Information Services, Army

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
AUTOMATED DATA PROCESSING
(\$ in Thousands)**

2. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:

The Local Area Network (LAN) has not been extended throughout the entire organization, making information exchange challenging and inefficient. Extension of the LAN will heighten productivity as employees have state-of-the-art equipment on which to develop and test software.

IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT

Business operations will not be as efficient as possible. Labor costs will be higher than necessary and the business may lack the capacity to meet customer demand.

6. ECONOMIC ANALYSIS BEING USED? Yes

ECONOMIC INDICATORS:	Total Cost of the Project
	\$635K